

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	44.00	3.00	2.00	49.00	3.00	2.00	49.00	49.00
Personal Services	1,889,452	257,862	99,918	2,247,232	258,872	144,649	2,292,973	4,540,205
Operating Expenses	3,897,453	1,551,724	591,139	6,040,316	1,838,719	288,320	6,024,492	12,064,808
Equipment	0	0	0	0	0	0	0	0
Grants	22,577	0	0	22,577	0	0	22,577	45,154
Benefits & Claims	255,780,132	89,184,084	8,277,909	353,242,125	118,300,122	15,650,788	389,731,042	742,973,167
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$261,589,614	\$90,993,670	\$8,968,966	\$361,552,250	\$120,397,713	\$16,083,757	\$398,071,084	\$759,623,334
General Fund	62,440,736	20,454,257	(3,100,362)	79,794,631	28,586,768	(3,051,979)	87,975,525	167,770,156
State/Other Special	1,546,253	1,915,837	4,324,647	7,786,737	2,669,918	6,453,228	10,669,399	18,456,136
Federal Special	197,602,625	68,623,576	7,744,681	273,970,882	89,141,027	12,682,508	299,426,160	573,397,042
Total Funds	\$261,589,614	\$90,993,670	\$8,968,966	\$361,552,250	\$120,397,713	\$16,083,757	\$398,071,084	\$759,623,334

Program Description

The Child and Adult Health Care Resources Division administers Medicaid primary care services, children's mental health services, the Children's Health Insurance Program (CHIP), and children's special health services. The purpose of the division is to improve and protect the health and safety of Montanans. The division provides a wide range of preventive, primary, and acute care services to individuals and communities. Services are provided through a broad range of private and public providers, including physicians, public health departments, clinics, and hospitals.

Acute and primary care services are provided through the Medicaid Program and the Children's Health Insurance Program (CHIP) and services for children with special health care needs. The division contracts with over 700 non-profit providers for the delivery of health care services. Medicaid is a voluntary state/federal partnership to provide and finance these services to the aged, blind, disabled, or low-income families.

The division administers CHIP as a separate health insurance program and contracts with an insurance plan to provide medical services. CHIP dental and eyeglasses benefits are provided by the department.

Program Narrative

Child and Adult Health Care Resources Major Budget Highlights	
○	Total funds increase \$236 million over the biennium compared to the fiscal 2002 base budget, with a net increase of \$43 million general fund and funding for 2.00 FTE
??	Medicaid caseload growth adds \$79 million total funds, including \$18 million general fund
??	Transfer of children's mental health services accounts for 42 percent of the total increase
○	Medicaid provider rate reductions, service limitations, and eligibility changes reduce total funds \$20 million, including \$5 million general fund
○	Funding switch to enact F146 (tobacco settlement fund allocation) reduces general fund by \$8 million and increases state special revenue by a like amount
??	\$4.2 million offsets CHIP general fund expenditures
??	\$3.8 million to be used as Medicaid match

?? \$2.1 million in federal CHIP grant funds were appropriated to match up to \$500,000 of private donations if available

Legislative Appropriation Action

The Child and Adult Health Care Resources Division (CAHCR) will be implemented by DPHHS July 1, 2003. The legislature structured HB 2 so that the 2005 biennium appropriations will reflect the planned executive branch reorganization.

The primary functions to be included in the CAHRC are:

- Primary Medicaid services - hospital, physician, and prescription drugs - about \$573 million (\$133 million general fund) over the biennium
- Children's mental health services - about \$148 million (\$29 million general fund) over the biennium
- CHIP - about \$30 million over the biennium
- Children's special health care resources - about \$1.5 million in federal funds over the biennium

This division does not exist in the Executive Budget or Legislative Budget Analysis. It is shown as part of the Health Policy and Services (HPSD) and Addictive and Mental Disorders Divisions (AMDD). In previous publications, the HPSD narrative includes discussion of changes for CHIP and Medicaid. While AMDD administered children's mental health services in previous biennia, there are few specific discussions of children's mental health budget issues in previous documents.

The 2005 biennium appropriation increases \$236 million compared to the fiscal 2002 base budget, mostly in federal funds, which rise \$178 million. State special revenue appropriations increase \$15 million and offset more than \$15 million in general fund costs. General fund increases \$43 million.

About 42 percent of the total increase (\$112 million) and 88 percent of the general fund increase (\$21 million) is related to the way children's mental health appropriations are transferred for the reorganization. These appropriations represent fiscal 2002 base budget expenditures and do not increase costs above the fiscal 2002 base budget. It was not possible to automate the transfer of base budget expenditures in the budgeting system in the same way that Medicaid and CHIP base expenditures were moved and included in 2002 base budget costs for the new division. So, base budget expenditures for children's mental health services appear as an increase in the main division table, when they are not.

The following figure shows the major base budget expenditures and 2005 biennium appropriations, for each major function in the division and service categories, adjusted for the transfer of children's mental health services. Base budget expenditures in the figure will not tie to the main division table because of this adjustment, which was done in order to make comparisons more meaningful.

Fiscal 2002 Base Budget Compared to 2005 Biennium Legislative Appropriation Child and Adult Health Care Resources													
Major Function	Fiscal 2002 Actuals				Fiscal 2004 Legislative Appropriation				Fiscal 2005 Legislative Appropriation				Percent
Grants and Benefits	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	of Total
Major Function													
Medicaid Services	\$ 59,630,425	\$ 1,545,371	\$ 185,107,065	\$ 246,282,861	\$ 64,082,605	\$ 2,961,199	\$ 207,348,701	\$ 274,392,505	\$ 70,264,329	\$ 5,689,076	\$ 228,810,682	\$ 304,764,087	77%
Children's Health Care Resources	2,810,311	882	12,495,560	15,306,753	(1,358,806)	4,096,947	14,679,082	17,417,223	(1,504,197)	4,258,500	12,564,288	15,318,591	4%
Children's Mental Health*	<u>10,818,914</u>	<u>1,654,209</u>	<u>44,435,684</u>	<u>56,908,807</u>	<u>17,070,832</u>	<u>728,591</u>	<u>51,943,099</u>	<u>69,742,522</u>	<u>19,215,393</u>	<u>721,823</u>	<u>58,051,190</u>	<u>77,988,406</u>	20%
Total Division Budget	<u>\$ 73,259,650</u>	<u>\$ 3,200,462</u>	<u>\$ 242,038,309</u>	<u>\$ 318,498,421</u>	<u>\$ 79,794,631</u>	<u>\$ 7,786,737</u>	<u>\$ 273,970,882</u>	<u>\$ 361,552,250</u>	<u>\$ 87,975,525</u>	<u>\$ 10,669,399</u>	<u>\$ 299,426,160</u>	<u>\$ 398,071,084</u>	100%
Percent of Total	23%	1%	76%	100%	22%	\$0	76%	100%	22%	3%	75%	100%	
Compounded Annual Rate of Change					4%	56%	6%	7%	10%	37%	9%	10%	
Benefits													
Medicaid Services													
Primary Care	\$ 55,398,145	\$ 819,428	\$ 157,148,999	\$ 213,366,572	\$ 56,181,738	\$ 3,469,062	\$ 166,603,138	\$ 226,253,938	\$ 61,297,054	\$ 6,124,769	\$ 187,069,780	\$ 254,491,603	65%
Children's Mental Health Svcs*	9,453,303	1,654,209	43,540,867	54,648,379	18,054,365	234,076	49,146,812	67,435,253	20,275,896	234,076	54,894,336	75,404,308	19%
Medicare Buy-In	2,733,315	-	7,345,470	10,078,785	3,136,238	-	8,428,251	11,564,489	3,359,155	-	8,989,633	12,348,788	3%
Cervical and Breast Cancer	(308)	-	549,079	548,771	206,866	-	888,134	1,095,000	208,070	-	886,930	1,095,000	0%
Indian Health Services	-	-	15,590,985	15,590,985	-	-	20,516,793	20,516,793	-	-	22,240,172	22,240,172	6%
Intergovernmental Transfers	-	716,417	1,920,377	2,636,794	-	841,417	2,045,377	2,886,794	-	841,417	2,045,377	2,886,794	1%
School Services Reimbursmnt.	-	-	-	-	-	-	7,159,705	7,159,705	-	-	7,034,224	7,034,224	2%
CHIP*	2,573,860	-	10,972,771	13,546,631	-	2,571,692	13,074,939	15,646,631	-	2,571,692	10,974,939	13,546,631	3%
NonMedicaid Children's MH*	671,928	-	-	671,928	671,928	-	-	671,928	671,928	-	-	671,928	0%
Medicaid Outreach	<u>3,144</u>	<u>-</u>	<u>8,450</u>	<u>11,594</u>	<u>3,144</u>	<u>-</u>	<u>8,450</u>	<u>11,594</u>	<u>3,144</u>	<u>-</u>	<u>8,450</u>	<u>11,594</u>	0%
Total Benefits	\$ 70,833,387	\$ 3,190,054	\$ 237,076,998	\$ 311,100,439	\$ 78,254,279	\$ 7,116,247	\$ 267,871,599	\$ 353,242,125	\$ 85,815,247	\$ 9,771,954	\$ 294,143,841	\$ 389,731,042	100.0%
Percent of Total Benefits	23%	1%	76%	100%	22%	2%	76%	100%	22%	3%	75%	100%	
Compounded Annual Rate of Change					5%	49%	6%	7%	10%	37%	10%	10%	
Percent of Total Division	97%	100%	98%	98%	98%	91%	98%	98%	98%	92%	98%	98%	

The fiscal 2005 appropriation grows about 10 percent a year compared to fiscal 2002 base budget expenditures, including adjustments for children's mental health services. The increase is due to anticipated service cost increases, with the growth in appropriations for services increasing slightly higher than the growth in total expenditures. Service expenditures and appropriations account for 98 percent of comparable division costs.

Funding for positions increases by 5.00 FTE, all for administration of children's mental health services. Three positions were transferred from the Addictive and Mental Disorders Division and were included in fiscal 2002 base budget expenditures. The legislature added funds for 2.00 new FTE in order to implement the proposal DPHHS recommended to the legislature for improved administration and management of children's mental health services.

Net biennial general fund increases approved by the legislature total about \$21 million above base budget expenditures due to the following actions:

- Addition of \$28 million in general fund matching funds for Medicaid caseload increases
- Legislatively initiated funding shifts that increased general fund by \$9 million and reduced federal and state special revenue appropriations by a like amount
- Offset of \$15 million general fund costs by state special revenue
 - ?? \$8 million general fund offset by use of tobacco settlement state special revenue allocated by I-146 for CHIP and Medicaid match
 - ?? \$4 million in interest income from the tobacco settlement constitutional trust fund for state Medicaid match
 - ?? Acceptance of \$3 million of eligibility and service reductions and cost containment measures in the Executive Budget, including 2 percent rate reductions for Medicaid hospital services.

State special revenue increases by \$13 million over the biennium, primarily due to the fund switches listed in the previous paragraph. In addition, there is a \$1 million increase in county hospital nursing home IGT (intergovernmental transfer) authority.

Federal funds increase \$86 million due to:

- Medicaid caseload increases - \$56 million
- Refinance of school services - \$26 million
- CHIP funding increases - \$2 million

Medicaid services and children's mental health services are the largest division functions, accounting for 96 percent of the fiscal 2005 appropriation. Primary care Medicaid services, including hospital, pharmacy, and physician services, comprises 65 percent of the fiscal 2005 appropriation and children's mental health Medicaid services are 19 percent. Cost increases are due to expected growth in the numbers of eligible persons and increased utilization. Cost increases in prescription drugs are also a factor.

Medicaid Prescription Drug Expansion Program

SB 473 established a new Medicaid program to provide discounts on the cost of prescription drugs. The cost of drugs under the program will be the average wholesale price less 6 to 25 percent. The discount will be established by DPHHS and will be dependent on the revenues available to finance the program.

DPHHS estimated that there would be 42,390 persons participating in the program. Eligible persons must have incomes under 200 percent of the federal poverty level and meet one of the following eligibility criteria:

- Age 62 or older
- Age 18 to 62 and determined disabled by the federal Social Security Administration
- Eligible for the Mental Health Services Plan or other state programs for mentally ill persons established pursuant to 53-21-702(2)

The program requires a waiver of two federal Medicaid regulations - comparability of benefits and federal cost sharing principles. If the waivers are not granted, the program cannot be established. It is anticipated that the program will begin accepting applications April 1, 2004 and begin paying benefits at the start of fiscal year 2005 (July 1, 2004).

The prescription drug expansion program will be funded like other Medicaid programs, requiring a state match for services (about 28 percent) and administration (between 25 and 50 percent). The state matching funds will be provided from two sources - a \$25 application fee and the state share of prescription drug rebates attributable to the drug expansion program. Drug manufacturers pay a rebate to each state Medicaid program and agreed to the payment so that states would not restrict access to drugs through implementation of a formulary (specific list of drugs approved by a health plan).

The legislature added \$0.4 million in fiscal 2004 and \$7.3 million in fiscal 2005 to fund the prescription drug expansion program. DPHHS is authorized to obtain a start up loan from the Board of Investments.

Children's Mental Health Services

The appropriations for children's mental health services increase due to expected growth in the number of eligible children and increased utilization of services. General fund appropriations for the 2005 biennium are more than double base budget funding due to funding shifts, which add about \$5 million per year. The most significant shift (\$3 million per year) is due to HB 121, which provides that Medicaid reimbursement received for state mental health institutional services must be deposited into the general fund. During the base budget year, such funds were used to match federal Medicaid funds for children's inpatient psychiatric care. The second funding shift is due to removal of the state special revenue from counties participating in the Medicaid intergovernmental transfer program. The 2001 legislature budgeted \$2 million of county IGT revenue as mental health Medicaid match and the 2003 legislature used such county funds to offset \$1 million general fund in community Medicaid services for elderly and disabled persons and to offset nursing home rate reductions. In order to avoid reductions in mental health Medicaid services, the legislature increased general fund appropriations. About \$1.5 million per year was allocated to children's Medicaid mental health match and \$0.5 million per year to adult mental health services administered by the Addictive and Mental Disorders Division.

Total Appropriations for Hospital Medicaid Services

The figure Total Hospital Medicaid Appropriations shows total legislative appropriations for Medicaid hospital services during the fiscal 2005 biennium. About 25 to 26 percent of the appropriations are one-time only appropriations designed to allow DPHHS to reimburse hospitals at the maximum allowable Medicaid rate under federal regulations. The legislature designated rate add-ons as one-time appropriations in the event that federal reimbursement rules change.

Total Ongoing and One-Time Appropriations for Hospital Medicaid Services								
Component	Fiscal 2004				Fiscal 2005			
	GF	SSR	Fed	Total	GF	SSR	Fed	Total
Ongoing HB 2 Approp.	\$22,118,862	\$ 684,859	\$ 64,978,705	\$ 87,782,426	\$24,541,479	\$ 1,035,026	\$70,578,614	\$ 96,155,119
One Time Appropriations								
Intergovernmental Trans. \$	-	\$ 841,417	\$ 2,045,377	\$ 2,886,794	-	\$ 841,417	\$ 2,045,377	\$ 2,886,794
HB 481 - Bed Fee	-	<u>7,225,925</u>	<u>19,418,341</u>	<u>26,644,266</u>	-	<u>8,732,387</u>	<u>22,941,925</u>	<u>31,674,312</u>
Subtotal One Time	-	<u>8,067,342</u>	<u>21,463,718</u>	<u>29,531,060</u>	-	<u>9,573,804</u>	<u>24,987,302</u>	<u>34,561,106</u>
Total Amount Available	<u>\$22,118,862</u>	<u>\$8,752,201</u>	<u>\$ 86,442,423</u>	<u>\$ 117,313,486</u>	<u>\$24,541,479</u>	<u>\$ 10,608,830</u>	<u>\$95,565,916</u>	<u>\$ 130,716,225</u>
to Fund Hospital Services								
One Time Appropriations as Percent of Total				25%				26%

The most significant one-time appropriation is included in HB 481, which establishes a bed fee of \$32.44 per day from July 1, 2003 through December 31, 2004 and \$19.43 per day from January 1, 2004 through June 30, 2005. The utilization fee will be paid by hospitals and not passed through as a charge on patient bills. The utilization fee income will be used to draw down federal matching funds and increase hospital rates to the maximum allowable Medicaid charge, which under federal regulation cannot exceed what Medicare would reimburse for the service.

The Medicare buy-in pays for Medicare Part B premiums for Medicaid-eligible persons who are 65 years of age or older. Medicare (federal funds) then pays for 80 percent of their medical expenses, leaving a liability of only 20 percent for Medicaid, which is partially funded with general fund. The 2005 biennial appropriation increase is driven largely by the cost of Medicaid premium increases that are established by federal regulations.

Medicaid Indian health services are 6 percent of the appropriation and fully funded from federal funds. DPHHS reimburses medical services provided by the Indian Health Service to Medicaid-eligible Indians on the Flathead, Blackfeet, Rocky Boy, Fort Belknap, Crow, Northern Cheyenne, and Fort Peck Indian reservations.

Women screened through the breast and cervical cancer program administered by HPSD are eligible for Medicaid if the screen is positive and their incomes are below 200 percent of the federal poverty level. The 2003 legislature added this Medicaid benefit. The executive removed the general fund base budget expenditures, defining such funding as one-time only appropriations.

DPHHS received approval for a county funded hospital IGT program in fiscal 2000. Under the program, counties could transfer revenue to DPHHS to be used as the state match to draw down federal Medicaid matching funds. County hospital rates are increased within the federal guidelines of the allowable upper payment limit based on Medicare cost principles. IGT appropriations are considered one-time because the legislature does not intend that such rate increases would become part of base budget expenditures in the event that the federal government disallows local government funds to be used as the nonfederal match.

DPHHS and OPI have undertaken a refinance of Medicaid eligible services provided by schools to Medicaid eligible students. Examples include physical and mental health services, as well as physical, speech and occupational therapy. Only the federal matching funds are included in the DPHHS appropriation, as the schools will certify the match as part of school expenditures. The legislature approved the executive request to add \$16 million for physical health services, as well as \$10 million for mental health services that is included in the children's mental health services appropriation.

CHIP provides health care services for children in families with incomes up to 150 percent of the poverty level. CHIP does not pay for health services for adults. DPHHS contracts with insurance companies for coverage that is similar to benefits provided by the state employee health plan. Unlike Medicaid, CHIP is not an entitlement program and services are limited to the available appropriation. State matching funds appropriated over the 2005 biennium are estimated to provide insurance coverage to about 9,335 children. The state receives a fixed federal grant for CHIP that it must match at about 18 percent state funding. The federal grant funds will not be fully expended.

The legislature also added a restricted biennial appropriation of \$2.1 million federal CHIP authority to be used as match for any private donations received by DPHHS for CHIP. It would require a \$500,000 match to fully expend the appropriation. If the full amount of match were received, DPHHS anticipates that about 900 more children could be insured during the 2005 biennium.

The 2001 legislature approved the executive request to fund mental health services for children who are seriously emotionally disturbed in families with incomes below 150 percent of the federal poverty level through the CHIP program. Previously, those services had been funded fully from the general fund and using federal CHIP funds allowed services to continue at about a 19 percent general fund cost. During the 2003 biennium, DPHHS discontinued such services for children as part of general fund spending reductions made to avoid a supplemental appropriation. The remaining general fund is that added by the 2001 legislature for children who would no longer qualify for expanded mental health services because they were ineligible for CHIP. The two main federal criteria causing such ineligibility are: their families had some sort of health insurance or they were children of state employees. Federal regulations allow this general fund expenditure to be counted toward the TANF maintenance of effort.

Medicaid outreach is a function where DPHHS aids persons eligible for Medicaid in obtaining benefits.

Funding

The following table shows program funding, by source, for the base year and the 2005 biennium.

Program Funding Table						
Child & Adult Health Resources						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$ 62,440,736	23.9%	\$ 79,794,631	22.1%	\$ 87,975,525	22.1%
02053 Medicaid Nursing Home Match	717,525	0.3%	1,337,039	0.4%	1,330,271	0.3%
02142 Medicaid Third Party Revenue	585,729	0.2%	585,729	0.2%	585,729	0.1%
02298 Baby Your Baby	9,526	0.0%	9,526	0.0%	9,526	0.0%
02531 Chip Program	882	0.0%	-	-	-	-
02785 Senior Prescription Drugs	-	-	102,700	0.0%	2,069,728	0.5%
02789 Chip/Mcha Tobacco Settlement Fund	-	-	4,096,947	1.1%	4,258,500	1.1%
02987 Tobacco Interest (Real Fund)	232,591	0.1%	1,654,796	0.5%	2,415,645	0.6%
03031 Maternal & Child Health	848,837	0.3%	846,837	0.2%	852,904	0.2%
03426 Child Health Insurance	11,617,547	4.4%	13,837,015	3.8%	11,731,791	2.9%
03580 93.778 - Med Adm 50%	2,511,641	1.0%	4,189,786	1.2%	4,269,646	1.1%
03582 93.778 - Med Ben 100%	15,590,985	6.0%	20,400,991	5.6%	22,060,656	5.5%
03583 93.778 - Med Ben Fmap	<u>167,033,615</u>	<u>63.9%</u>	<u>234,696,253</u>	<u>64.9%</u>	<u>260,511,163</u>	<u>65.4%</u>
Grand Total	\$ 261,589,614	100.0%	\$ 361,552,250	100.0%	\$ 398,071,084	100.0%

The division is funded by a combination of general fund, state special revenue and federal funds. The single most significant funding source is federal Medicaid matching funds, which account for 81 percent of total division funding when all administrative and service matching funds are combined. General fund declines from 24 percent of base budget funding to 22 percent during the 2005 biennium. State special revenue accounts for less than 3 percent of total funding in fiscal 2005.

Nearly all general fund is budgeted to pay the state match for Medicaid programs administered by the division. A small amount of general fund is appropriated for children's mental health benefits for children who are seriously emotionally disturbed in families with incomes under 150 percent of the federal poverty level, but who are not eligible for Medicaid.

State special revenue is also used to match Medicaid and CHIP federal funds. Tobacco settlements and income from the tobacco settlement constitutional trust fund are the most significant state special revenue sources. A new state special revenue account was created by SB 473, which establishes an expansion prescription drug Medicaid program, was summarized previously. The sources of revenue for this account are income from a \$25 application fee and rebates paid by drug manufacturers.

Federal matching funds for CHIP is the next most significant federal funding source after Medicaid funding. Federal CHIP funds support administration and services provided to children in families with incomes up to 150 percent of the federal poverty level who are not Medicaid eligibility and whose family does not have health insurance or whose parents do not work for state government.

The Maternal Child Health Block grant supports special health services for children who are not eligible for other health programs. The services provided include treatment of metabolic disorders and medical conditions such as cleft palates.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				216,846						218,321
Vacancy Savings				(84,248)						(84,309)
Inflation/Deflation				11,414						11,616
Fixed Costs				13,779						20,379
Total Statewide Present Law Adjustments				\$157,791						\$166,007
DP 50 - Medicaid Caseload - Primary Care Services	0.00	5,739,059	1,188,128	12,247,068	19,174,255	0.00	11,446,788	1,948,977	25,379,236	38,775,001
DP 52 - Medicaid Breast & Cervical Cancer Treatment Prog	0.00	207,174	0	339,055	546,229	0.00	208,378	0	337,851	546,229
DP 56 - Medicare Buy-In Caseload Adjustment	0.00	402,923	0	1,082,781	1,485,704	0.00	625,840	0	1,644,163	2,270,003
DP 68 - IHS Caseload Adjustment	0.00	0	0	4,925,808	4,925,808	0.00	0	0	6,649,187	6,649,187
DP 72 - Increase for Utilization Review Contract	0.00	32,500	0	97,500	130,000	0.00	33,240	0	99,720	132,960
DP 141 - Utilization Contract Review - Children's MH	0.00	(260,576)	0	193,871	(66,705)	0.00	(191,350)	0	401,548	210,198
DP 143 - Medicaid Caseload - Children's Mental Health	0.00	3,987,144	(1,420,133)	5,164,770	7,731,781	0.00	6,093,045	(1,420,133)	10,066,483	14,739,395
DP 351 - Fund Switch Medicaid-Children's Mental Health Svcs	0.00	(494,515)	494,515	0	0	0.00	(487,747)	487,747	0	0
DP 774 - Children's Mental Health Services Admin - PL	3.00	693,683	0	894,817	1,588,500	3.00	693,643	0	894,783	1,588,426
DP 775 - Non-Medicaid Children's Mental Health Services	0.00	671,928	0	0	671,928	0.00	671,928	0	0	671,928
DP 776 - Children's Mental Health Benefits	0.00	9,453,303	1,654,209	43,540,867	54,648,379	0.00	9,453,303	1,654,209	43,540,867	54,648,379
Total Other Present Law Adjustments				\$90,835,879		3.00	\$28,547,068	\$2,670,800	\$89,013,838	\$120,231,706
Grand Total All Present Law Adjustments				\$90,993,670						\$120,397,713

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

New Proposals										
Program	FTE	-----Fiscal 2004-----				-----Fiscal 2005-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 65 - School Services Contract and Program Monitor										
11	1.00	(113,257)	0	8,178,235	8,064,978	1.00	(277,648)	0	8,026,626	7,748,978
DP 66 - Medicaid Pharmacy Audit										
11	0.00	(23,341)	0	(275,461)	(298,802)	0.00	(54,862)	0	(356,640)	(411,502)
DP 74 - County Public Health Department Administrative IGT										
11	0.00	0	125,000	125,000	250,000	0.00	0	125,000	125,000	250,000
DP 242 - Hospital Medicaid Match Funds Optional Services										
11	0.00	(250,000)	0	(671,829)	(921,829)	0.00	(250,000)	0	(656,783)	(906,783)
DP 244 - Limit Physicians Visits to 10 Per Year										
11	0.00	(700,561)	0	(1,882,629)	(2,583,190)	0.00	(760,809)	0	(1,998,745)	(2,759,554)
DP 253 - Fund Switch for the CHIP Program										
11	0.00	(4,096,947)	4,096,947	0	0	0.00	(4,258,500)	4,258,500	0	0
DP 254 - Hospital Medicaid Rate Reduction										
11	0.00	(1,263,945)	0	(3,396,619)	(4,660,564)	0.00	(1,404,725)	0	(3,690,397)	(5,095,122)
DP 257 - Transportation Program Changes										
11	0.00	(82,888)	0	(222,746)	(305,634)	0.00	(86,038)	0	(226,033)	(312,071)
DP 258 - Pharmacy Program Changes										
11	0.00	(82,372)	0	(221,360)	(303,732)	0.00	(82,372)	0	(216,402)	(298,774)
DP 260 - Medicaid Eligibility Changes										
11	0.00	(92,101)	0	(247,504)	(339,605)	0.00	(92,101)	0	(241,961)	(334,062)
DP 282 - Funding Reduction for FTE										
11	(1.00)	(20,209)	0	(22,421)	(42,630)	(1.00)	(20,209)	0	(22,301)	(42,510)
DP 339 - School Based Mental Health Services										
11	0.00	0	0	5,000,000	5,000,000	0.00	0	0	6,000,000	6,000,000
DP 353 - Provider Rate Reduction - Children's MH Srvs										
11	0.00	(318,288)	0	0	(318,288)	0.00	(357,420)	0	0	(357,420)
DP 777 - Children's Mental Health Services - FTE										
11	2.00	56,773	0	56,773	113,546	2.00	56,773	0	56,773	113,546
DP 778 - Out of Home Care Rate Increase - Children's MH										
11	0.00	101,261	0	272,120	373,381	0.00	103,099	0	270,855	373,954
DP 779 - HB 121- MSH Medicaid Rev. to General Fund										
11	0.00	3,180,119	0	(3,180,119)	0	0.00	3,180,119	0	(3,180,119)	0
DP 781 - Hospital Medicaid GF for Visual Medical										
11	0.00	(84,834)	0	0	(84,834)	0.00	(84,834)	0	0	(84,834)
DP 782 - Non-Hospital Medicaid Rate Increase										
11	0.00	686,357	0	1,844,458	2,530,815	0.00	1,320,845	0	3,549,527	4,870,372
DP 785 - Senior Pharmacy Program - SB 473										
11	0.00	0	102,700	278,984	381,684	0.00	0	2,069,728	5,201,130	7,270,858
DP 786 - Federal Matching Funds for CHIP - Private Donation										
11	0.00	0	0	2,100,000	2,100,000	0.00	0	0	0	0
DP 6800 - HB 13 - Pay Plan										
11	0.00	3,871	0	9,799	13,670	0.00	16,703	0	41,978	58,681
Total	2.00	(\$3,100,362)	\$4,324,647	\$7,744,681	\$8,968,966	2.00	(\$3,051,979)	\$6,453,228	\$12,682,508	\$16,083,757

Language

"Items [children's mental health Medicaid provider rate increases] are contingent upon passage and approval of a bill or bills that establish a state special revenue account for prevention and stabilization of department programs that receives at least \$13.7 million of estimated revenue in fiscal year 2004 and \$16.5 million of estimated revenue in fiscal year 2005 from cigarette and chew tobacco taxes, reallocation of tobacco settlement proceeds allocated by 17-6-606 (2), and other sources."

"The department shall distribute funds in [out of home care rate increase] in a way that provides reasonable assurance that the funds are used solely for therapeutic out-of-home care for children. Rate increases may vary among types of providers. Funds appropriated in [out of home care rate increase] may be used only for rate increases for therapeutic out-of-home for children. Funds in [out of home care rate increase] may not be used to fund other programs. "

Sub-Program Details

MEDICAID 01

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	26.00	0.00	0.00	26.00	0.00	0.00	26.00	26.00
Personal Services	1,133,340	133,056	21,838	1,288,234	134,739	66,823	1,334,902	2,623,136
Operating Expenses	2,894,471	144,265	555,673	3,594,409	152,390	252,600	3,299,461	6,893,870
Grants	21,549	0	0	21,549	0	0	21,549	43,098
Benefits & Claims	242,233,501	26,131,996	1,122,816	269,488,313	48,240,420	9,634,254	300,108,175	569,596,488
Total Costs	\$246,282,861	\$26,409,317	\$1,700,327	\$274,392,505	\$48,527,549	\$9,953,677	\$304,764,087	\$579,156,592
General Fund	59,630,425	6,475,460	(2,023,280)	64,082,605	12,409,954	(1,776,050)	70,264,329	134,346,934
State/Other Special	1,545,371	1,188,128	227,700	2,961,199	1,948,977	2,194,728	5,689,076	8,650,275
Federal Special	185,107,065	18,745,729	3,495,907	207,348,701	34,168,618	9,534,999	228,810,682	436,159,383
Total Funds	\$246,282,861	\$26,409,317	\$1,700,327	\$274,392,505	\$48,527,549	\$9,953,677	\$304,764,087	\$579,156,592

The Medicaid Services Bureau administers a wide range of medical programs. The bureau operates 30 different Medicaid medical programs with more than 6,000 providers. Passport, a primary care case management program (gatekeeper model) that began in 1993 and includes about 70 percent of all Medicaid recipients is the managed care program for Medicaid. The Medicaid HMO program was discontinued in July 2000 and recipients who were previously served under this program are now served by Passport.

The bureau manages other Medicaid services including physicians; mid-level practitioners; podiatrists; laboratory imaging; family planning; public health clinics; pharmacy; home infusion therapy; durable medical equipment; transportation; ambulance; audiology; hearing aids; vision services; eyeglasses; chiropractors; nutritionists; dental; private duty nursing; school-based services; Qualified Medicare Beneficiary (QMB); and presumptive eligibility for pregnant women; and respiratory, physical, occupational, and speech therapy.

With the exception of the Indian Health Services program, the state must provide a match for Medicaid services. Administrative costs are funded 50 percent state match, with some functions at an enhanced rate of 10 to 25 percent. The state match for services costs is expected to remain relatively constant – 27.12 percent in fiscal 2002 and in fiscal 2004 and rising slightly in 27.20 percent in fiscal 2005.

The Medicaid services budget increase \$119 million total funds (\$33 million in state matching funds) over the 2005 biennium, largely due to caseload growth and inflation in the costs of services such as pharmacy. Two new initiatives also expand Medicaid appropriations: addition of \$26 million in federal matching funds for Medicaid services provided by schools; and appropriations of \$7.5 million for SB 473, which expands prescription drug benefits to certain persons with incomes below 200 percent of the federal poverty level.

The division budget overview includes a table and narrative explaining individual Medicaid services and showing actual and budgeted costs. The table shows Medicaid services and individual benefits in relationship to the total division budget request. Medicaid services account for 97 percent of the division appropriation in fiscal 2005.

Present Law Adjustments										
-----Fiscal 2004-----					-----Fiscal 2005-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					185,820					187,574
Vacancy Savings					(52,764)					(52,835)
Inflation/Deflation					10,023					10,167
Fixed Costs					4,242					9,263
Total Statewide Present Law Adjustments					\$147,321					\$154,169
DP 50 - Medicaid Caseload - Primary Care Services	0.00	5,739,059	1,188,128	12,247,068	19,174,255	0.00	11,446,788	1,948,977	25,379,236	38,775,001
DP 52 - Medicaid Breast & Cervical Cancer Treatment Prog	0.00	207,174	0	339,055	546,229	0.00	208,378	0	337,851	546,229
DP 56 - Medicare Buy-In Caseload Adjustment	0.00	402,923	0	1,082,781	1,485,704	0.00	625,840	0	1,644,163	2,270,003
DP 68 - IHS Caseload Adjustment	0.00	0	0	4,925,808	4,925,808	0.00	0	0	6,649,187	6,649,187
DP 72 - Increase for Utilization Review Contract	0.00	32,500	0	97,500	130,000	0.00	33,240	0	99,720	132,960
Total Other Present Law Adjustments	0.00	\$6,381,656	\$1,188,128	\$18,692,212	\$26,261,996	0.00	\$12,314,246	\$1,948,977	\$34,110,157	\$48,373,380
Grand Total All Present Law Adjustments					\$26,409,317					\$48,527,549

Present Law Adjustments

DP 50 - Medicaid Caseload - Primary Care Services - The legislature added \$17.2 million general fund and \$4 million from interest income from the tobacco settlement constitutional trust fund (\$58.2 million total funds) for primary care Medicaid services cost increases for the 2005 biennium. Medicaid is an entitlement program for all persons who meet the eligibility criteria. This increase reflects projected changes in the eligible population and changes in the acuity level of medical conditions of and treatment for eligible persons. About 40.1 percent of the appropriation increase funds hospital Medicaid services and the remaining 59.9 funds non-hospital services, including prescription drugs.

DPHHS uses a complex projection methodology to estimate Medicaid cost changes. Statistics and trends relating to monthly eligibility, type of provider, number of services, cost per service, and health care inflation are taken into account in the projections. Failure to account for changes in caseload could materially misstate the Medicaid base budget in 2004 and 2005.

DP 52 - Medicaid Breast & Cervical Cancer Treatment Program - The legislature accepted the executive request to add \$1.1 million for the biennium, including \$0.4 million general fund, to provide continued funding for Medicaid services for treatment of breast and cervical cancer for women screened through the Montana Breast and Cervical Health (MBHC) program. The individual must be under 65 years of age, uninsured, and have a family gross income at or below 200 percent of the federal poverty level. Individuals eligible under this program are covered for health care services under the basic Medicaid program for the duration of treatment. Basic Medicaid is the same coverage provided under the FAIM (Families Achieving Independence in Montana) program.

Utilizing year to date expenditures as of January 2002, DPHHS estimates the Medicaid breast and cervical cancer related expenditures will be \$458,136 for fiscal 2002. The MBHC program performed about 2,700 screens in fiscal 2002 and will increase to 3,200 in fiscal 2003. It is estimated that under proposed funding for the MBHC, 3,800 screens can be performed in fiscal 2004 and 2005. Utilizing the estimates of the screens that are performed by the MBCH program, the Medicaid expenditures are estimated to be \$1,095,000 in fiscal 2004 and 2005. This estimate assumes no increase in provider reimbursement rates or the volume of services provided to eligible persons. Breast and cervical cancer services have an enhanced federal Medicaid match rate of 81.08 percent for fiscal 2004 and 80.97 percent for fiscal 2005.

DP 56 - Medicare Buy-In Caseload Adjustment - The legislature accepted the executive request for \$4 million over the biennium, including \$1 million general fund for increases in the Medicare buy in program, which allows state Medicaid programs to pay premiums to purchase Medicare coverage for Medicaid recipients who are dually eligible for Medicare

and Medicaid. Medicare then covers the cost of most services for individuals with no further Medicaid liability. Medicaid is liable for the costs of non-Medicare covered services, and for co-insurance and deductibles related to services utilized. Prescription drugs are an example of a Medicaid covered service that is not always paid by Medicare.

This request reflects expected increases in the number of persons eligible and premiums for Medicare Part A and Part B. The request is based on the assumption that the number of persons eligible for both Part A and Part B would increase an average of 2 percent, consistent with the increase over the last several years: 411 to 419 persons per month for Part A and 13,721 to 13,995 persons for Part B. Part B monthly premiums are projected to increase from \$50 in fiscal 2002, to \$58.32 in fiscal 2004, and to \$62.99 in fiscal 2005, an increase of 8 percent annually. No increase is projected for Part A premiums.

DP 68 - IHS Caseload Adjustment - The legislature added \$11.6 million federal funds for the biennium for Indian Health Services (IHS) caseload increases. The Medicaid IHS program is 100 percent federally funded. The federally mandated program provides payment to IHS providers for services to Native Americans who are also Medicaid eligible.

Under federal rules, the IHS is considered the payer of last resort. Accordingly, the Medicaid program must provide payment to the IHS or IHS providers for Native Americans who are also on Medicaid. The IHS in Montana is making a concerted effort to identify all Medicaid eligible persons who are also IHS recipients and to bill appropriately for services.

DP 72 - Increase for Utilization Review Contract - The legislature added \$197,220 in federal funds and \$65,740 in general fund for the biennium for heightened utilization control activities. Contract increases would fund expansion of more intensive clinical case management, and prior authorization of pharmacy services and additional reviews, due to rising numbers of recipients and increased demands for private duty nursing. The current contract requires additional funds for out-of-state prior authorization reviews and retrospective reviews. The current contract will expire during the biennium, requiring a re-bid, which usually results in increases in contracted amounts.

New Proposals										
Sub Program	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 65 - School Services Contract and Program Monitor										
01	1.00	(113,257)	0	8,178,235	8,064,978	1.00	(277,648)	0	8,026,626	7,748,978
DP 66 - Medicaid Pharmacy Audit										
01	0.00	(23,341)	0	(275,461)	(298,802)	0.00	(54,862)	0	(356,640)	(411,502)
DP 74 - County Public Health Department Administrative IGT										
01	0.00	0	125,000	125,000	250,000	0.00	0	125,000	125,000	250,000
DP 242 - Hospital Medicaid Match Funds Optional Services										
01	0.00	(250,000)	0	(671,829)	(921,829)	0.00	(250,000)	0	(656,783)	(906,783)
DP 244 - Limit Physicians Visits to 10 Per Year										
01	0.00	(700,561)	0	(1,882,629)	(2,583,190)	0.00	(760,809)	0	(1,998,745)	(2,759,554)
DP 254 - Hospital Medicaid Rate Reduction										
01	0.00	(1,263,945)	0	(3,396,619)	(4,660,564)	0.00	(1,404,725)	0	(3,690,397)	(5,095,122)
DP 257 - Transportation Program Changes										
01	0.00	(82,888)	0	(222,746)	(305,634)	0.00	(86,038)	0	(226,033)	(312,071)
DP 258 - Pharmacy Program Changes										
01	0.00	(82,372)	0	(221,360)	(303,732)	0.00	(82,372)	0	(216,402)	(298,774)
DP 260 - Medicaid Eligibility Changes										
01	0.00	(92,101)	0	(247,504)	(339,605)	0.00	(92,101)	0	(241,961)	(334,062)
DP 282 - Funding Reduction for FTE										
01	(1.00)	(20,209)	0	(22,421)	(42,630)	(1.00)	(20,209)	0	(22,301)	(42,510)
DP 781 - Hospital Medicaid GF for Visual Medical										
01	0.00	(84,834)	0	0	(84,834)	0.00	(84,834)	0	0	(84,834)
DP 782 - Non-Hospital Medicaid Rate Increase										
01	0.00	686,357	0	1,844,458	2,530,815	0.00	1,320,845	0	3,549,527	4,870,372
DP 785 - Senior Pharmacy Program - SB 473										
01	0.00	0	102,700	278,984	381,684	0.00	0	2,069,728	5,201,130	7,270,858
DP 6800 - HB 13 - Pay Plan										
01	0.00	3,871	0	9,799	13,670	0.00	16,703	0	41,978	58,681
Total	0.00	(\$2,023,280)	\$227,700	\$3,495,907	\$1,700,327	0.00	(\$1,776,050)	\$2,194,728	\$9,534,999	\$9,953,677

New Proposals

DP 65 - School Services Contract and Program Monitor - The legislature accepted the executive request for \$16.2 million federal authority for a Medicaid school-based services contract, funding for 1.00 FTE for a school-based services program monitor, and a net savings to the general fund of \$0.4 million over the biennium. The proposal results from a contract study completed in March 2002 to determine potential revenue enhancement possibilities for schools in Montana. The study estimated an additional \$7 to \$10 million in annual reimbursement from federal match for Medicaid covered services in Montana public schools. The federal Medicaid reimbursement would replace school funds, freeing up those funds to be used in other areas.

Montana schools are providing services that are eligible for federal Medicaid reimbursement. The Center for Medicare and Medicaid Services (CMS) allows interagency agreements between the state Medicaid agency (DPHHS) and the Montana Office of Public Instruction (OPI) where school districts may certify the nonfederal Medicaid match and receive federal matching funds for the balance of eligible services.

DPHHS and OPI competitively selected a contractor to assist with the program redesign. The firm will develop a process for school districts to claim federal Medicaid reimbursement and certify matching funds for school-based services. In addition, the contractor will assist DPHHS in developing an administrative claiming program and a Medicaid reimbursement program for eligible school services. DPHHS will assume the administration of the program in 2005, with OPI continuing to contract for billing services.

This appropriation will fund the contract by shifting general fund used to reimburse education providers from benefits to administrative expenses. This shift will pay for the contract, and 1.00 FTE to monitor the contract and the program. The general fund shifted from benefits to administration in fiscal 2004 is \$178,235, and \$26,626 in fiscal 2005. Net general fund savings are projected to be \$113,258 in fiscal 2004 and \$277,648 in fiscal 2005.

DP 66 - Medicaid Pharmacy Audit - The legislature accepted the executive request to establish an in-depth audit program

for the Medicaid pharmacy program and included total savings of \$710,304 over the biennium (\$78,203 general fund). Components of the audit program could include pharmacy benefit management, focused investigation audits, in-store audits, desktop audits, and credentialing.

The Medicaid pharmacy benefit is about \$78 million and continues to increase faster than all other health care costs. Pharmacy benefits make up nearly 30.0 percent of Medicaid expenditures. By employing a company that specializes in pharmacy auditing, DPHHS believes it can insure program integrity and create cost savings. Typically, most companies that conduct pharmacy auditing are able to recover at least 0.5 percent of total pharmacy expenditures. For Montana Medicaid, an investment of \$250,000 for an auditing contract could potentially recover \$390,000 (based on current drug expenditures).

DP 74 - County Public Health Department Administrative IGT - The legislature appropriated \$0.5 million in federal authority and county funds in the amount necessary to draw down federal Medicaid matching funds for an intergovernmental transfer program for county public health departments. Participating counties would place staff in county public assistance offices and inform all eligible Medicaid recipients under 21 years of age about EPSDT (Early Periodic Screening Diagnosis and Treatment), which is a federally required Medicaid service.

The appropriation is based on the assumption that up to five counties would participate in each year of the biennium. Three counties - Yellowstone, Missoula, and Lewis and Clark - indicated an interest in participating in the program as of January 2003.

The total cost of \$50,000 per county (personal services costs for one professional) would be paid through the transfer. Counties will send DPHHS a check for \$25,000 (50.0 percent of \$50,000). This money will be deposited in a special revenue fund, matched with \$25,000 in federal Medicaid funds, and \$50,000 would be returned to the county.

DP 242 - Hospital Medicaid Match Funds Optional Services - The legislature did not accept the executive proposal to reduce general fund support for optional Medicaid services for recipients over the age of 21 by \$500,000 general fund for the biennium. Instead the legislature opted to reduce general fund match for Medicaid hospital services and use those funds to continue optional services. This funding transfer reduces total funds by \$1.8 million over the biennium.

DP 244 - Limit Physicians Visits to 10 Per Year - The legislature accepted the executive recommendation to reduce the number of physician visits for SSI (Supplemental Security Income) and TANF adult recipients to 10 per year resulting in saving \$5.3 million total funds (\$1.5 million general fund) over the biennium. DPHHS will authorize additional physician services above the limit if such services are medically necessary. Estimated savings include a reduction of 50 percent for additional services and associated implementation costs.

DPHHS will have to implement a prior authorization function to review the medical necessity of services that exceed this limit. The prior authorization function would be an additional administrative function that could be provided under a contract or performed by new FTE with appropriate training.

The proposal impacts 2,297 TANF and 6,012 SSI clients and will result in the elimination of about 9,122 visits for TANF clients and 30,436 visits for SSI clients. Under this proposal the client would be responsible for 100 percent of provider charges for any services that exceed the limit that are not medically necessary.

DP 254 - Hospital Medicaid Rate Reduction - The legislature accepted the executive request to reduce Medicaid provider rates by about 2 percent. The legislature allocated the entire rate reduction to the appropriation for hospital services, reducing general fund by \$2.7 million over the biennium and federal matching funds by \$6.3 million.

The legislative appropriation is structured to maintain rates for nonhospital providers. However, statute provides the executive branch authority to structure and manage the Medicaid program that exceeds the legislative intent embodied in the appropriations.

HB 481 was passed and approved. It establishes a bed utilization fee on hospitals that will provide the state matching funds necessary to draw down federal Medicaid matching funds and pay hospitals at the highest allowable federal payment level. HB 481 includes \$16 million in state special revenue from the bed fee and \$42 million in federal Medicaid matching funds for one-time rate increases during the 2005 biennium.

DP 257 - Transportation Program Changes - The legislature reduced \$168,926 general fund and \$448,779 of federal funds over the biennium due to changes in the reimbursement rate for mileage for Medicaid transportation enacted by the department prior to the legislative session. This reduction was implemented to reduce projected general fund cost overruns. The department reduced the mileage rate from 34 cents to 13 cents per mile and a portion of the savings was used to increase the meal and lodging per diem.

DP 258 - Pharmacy Program Changes - The legislature accepted the executive proposal to reduce \$164,744 general fund and \$437,762 federal funds over the biennium as a result of administrative changes to the Medicaid pharmacy program. Changes include: procedures regarding prior authorization; system claim edits; case management; and script quantity policy. While these initiatives should not result in a loss of any benefits, the changes may cause inconvenience to clients or medical staff until they get acclimated to the new system.

DP 260 - Medicaid Eligibility Changes - The legislature reduced general fund by \$184,202 and federal funds by \$489,465 over the biennium due to Medicaid eligibility changes implemented by DPHHS prior to the legislative session. These changes, which alter the way property is counted when determining Medicaid eligibility, are discussed in the agency overview since the changes affect Medicaid budget requests in three divisions. DPHHS implemented the eligibility changes in order to mitigate general fund cost over runs during the 2003 biennium.

DP 282 - Funding Reduction for FTE - The legislature accepted the executive proposal to eliminate funding for 1.00 FTE for a savings of \$40,418 general fund and \$44,722 federal funds for the biennium. The vacant position is responsible for the EPSDT (Early Periodic Screening Diagnosis and Treatment) component of Medicaid. Duties to

administer EPSDT will be absorbed by other staff.

DP 781 - Hospital Medicaid GF for Visual Medical - The legislature reduced the general fund Medicaid match for hospital services and transferred the general fund to support visual medical services in the Disability Services Division. The total change to the hospital Medicaid services appropriation is \$169,668 general fund over the biennium.

DP 782 - Non-Hospital Medicaid Rate Increase - The legislature added \$2.1 million general fund (\$6.7 million total funds) over the biennium to fund a rate increase for non-hospital providers. The general fund appropriation was funded by revenue increases related to SB 407, which was approved.

DP 785 - Senior Pharmacy Program - SB 473 - The legislature approved SB 473, which establishes a senior pharmacy program. The program is discussed in more detail in the division narrative.

DP 6800 - HB 13 - Pay Plan - The legislature approved a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

The allocations for the Child and Adult Health Care Resources Division to implement the pay plan are \$72,351 over the biennium, including \$13,670 general fund. The entire division allocation is included in the Medicaid Administration subprogram, but will be apportioned among other division subprograms by DPHHS.

Sub-Program Details

CHILDREN'S HEALTH CARE RESOURCES 02

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	18.00	0.00	0.00	18.00	0.00	0.00	18.00	18.00
Personal Services	756,112	(458)	0	755,654	(727)	0	755,385	1,511,039
Operating Expenses	1,002,982	10,928	0	1,013,910	12,565	0	1,015,547	2,029,457
Grants	1,028	0	0	1,028	0	0	1,028	2,056
Benefits & Claims	13,546,631	0	2,100,000	15,646,631	0	0	13,546,631	29,193,262
Total Costs	\$15,306,753	\$10,470	\$2,100,000	\$17,417,223	\$11,838	\$0	\$15,318,591	\$32,735,814
General Fund	2,810,311	(72,170)	(4,096,947)	(1,358,806)	(56,008)	(4,258,500)	(1,504,197)	(2,863,003)
State/Other Special	882	(882)	4,096,947	4,096,947	(882)	4,258,500	4,258,500	8,355,447
Federal Special	12,495,560	83,522	2,100,000	14,679,082	68,728	0	12,564,288	27,243,370
Total Funds	\$15,306,753	\$10,470	\$2,100,000	\$17,417,223	\$11,838	\$0	\$15,318,591	\$32,735,814

The Health Care Resources program administers CHIP and special health services for children and accounts for about 4 percent of the division 2005 biennium appropriation. CHIP health services are the most significant component, accounting for \$29 million of the biennial appropriation.

The CHIP program includes staff and resources to administer an insurance program for children in families with incomes less than 150 percent of the federal poverty level. The state contracts with private insurance carriers to provide and pay for services. Families with incomes above 100 percent of the federal poverty level pay an annual co-payment of \$215.

CHIP is funded from a fixed federal grant. States have three years to spend the grant allotment from the time it is received. Federal funds require a state match based on a percentage of the match rate for Medicaid benefits. The state match requirement for federal CHIP funding is 18.92 percent in fiscal 2004, and 19.03 percent in fiscal 2005. Administrative costs are limited to 10 percent of the grant amount.

CHIP is not an entitlement. Enrollment in the program is limited by the funds available.

Special health services for children comprise a very small part of the appropriation for this program and are supported by about \$845,000 of the federal Maternal Child Health Block grant.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					31,026					30,747
Vacancy Savings					(31,484)					(31,474)
Inflation/Deflation					1,391					1,449
Fixed Costs					9,537					11,116
Total Statewide Present Law Adjustments					\$10,470	\$11,838				
Grand Total All Present Law Adjustments					\$10,470	\$11,838				

New Proposals										
Sub Program	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 253 - Fund Switch for the CHIP Program										
02	0.00	(4,096,947)	4,096,947	0	0	0.00	(4,258,500)	4,258,500	0	0
DP 786 - Federal Matching Funds for CHIP - Private Donation										
02	0.00	0	0	2,100,000	2,100,000	0.00	0	0	0	0
Total	0.00	(\$4,096,947)	\$4,096,947	\$2,100,000	\$2,100,000	0.00	(\$4,258,500)	\$4,258,500	\$0	\$0

New Proposals

DP 253 - Fund Switch for the CHIP Program - The legislature accepted the executive proposal to reduce general fund by \$8.3 million and increase state special revenue by a like amount for the biennium. This proposal implements the section of I-146, that allocates a portion of tobacco settlement revenue as matching funds to draw down the maximum federal CHIP grant allowable. The funding switch allocates \$5.5 million of the tobacco settlement revenue as matching funds for CHIP and the remaining \$2.6 million as matching funds for Medicaid.

The legislature passed SB 485 to allow funds allocated to CHIP and the Montana Comprehensive Health Association (MCHA) to be used as matching funds for Medicaid. The legislation amends Section 17-6-606, MCA, to explicitly allow funds to be used as Medicaid matching funds.

DP 786 - Federal Matching Funds for CHIP - Private Donation - The legislature added \$2.1 million in federal CHIP grant funds to be used if DPHHS receives private donations, grants, bequests, or gifts. If DPHHS were to receive \$500,000 in matching funds and use the full federal appropriation an additional 904 children could be insured annually during the 2005 biennium.

Sub-Program Details

CHILDREN'S MENTAL HEALTH SERVICES 03

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	0.00	3.00	2.00	5.00	3.00	2.00	5.00	5.00
Personal Services	0	125,264	78,080	203,344	124,860	77,826	202,686	406,030
Operating Expenses	0	1,396,531	35,466	1,431,997	1,673,764	35,720	1,709,484	3,141,481
Benefits & Claims	0	63,052,088	5,055,093	68,107,181	70,059,702	6,016,534	76,076,236	144,183,417
Total Costs	\$0	\$64,573,883	\$5,168,639	\$69,742,522	\$71,858,326	\$6,130,080	\$77,988,406	\$147,730,928
General Fund	0	14,050,967	3,019,865	17,070,832	16,232,822	2,982,571	19,215,393	36,286,225
State/Other Special	0	728,591	0	728,591	721,823	0	721,823	1,450,414
Federal Special	0	49,794,325	2,148,774	51,943,099	54,903,681	3,147,509	58,051,190	109,994,289
Total Funds	\$0	\$64,573,883	\$5,168,639	\$69,742,522	\$71,858,326	\$6,130,080	\$77,988,406	\$147,730,928

Administration of Children's Mental Health Services was transferred from the Addictive and Mental Disorders Division. Fiscal 2002 base budget expenditures and funding for the function are shown in the AMDD program totals.

Children's Mental Health Services accounts for about 20 percent of the division appropriation in fiscal 2005. The services portion of the appropriation is by far the most significant component since administrative costs are about \$2.3 million of the annual appropriation (\$70 million in fiscal 2004 and \$79 million in fiscal 2005). While DPHHS undertook a variety of actions to limit expenditures in higher, more intensive services settings during the 2003 biennium, costs are continuing to rise at annual rates exceeding 10 percent.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
DP 141 - Utilization Contract Review - Children's MH	0.00	(260,576)	0	193,871	(66,705)	0.00	(191,350)	0	401,548	210,198
DP 143 - Medicaid Caseload - Children's Mental Health	0.00	3,987,144	(1,420,133)	5,164,770	7,731,781	0.00	6,093,045	(1,420,133)	10,066,483	14,739,395
DP 351 - Fund Switch Medicaid-Children's Mental Health Svcs	0.00	(494,515)	494,515	0	0	0.00	(487,747)	487,747	0	0
DP 774 - Children's Mental Health Services Admin - PL	3.00	693,683	0	894,817	1,588,500	3.00	693,643	0	894,783	1,588,426
DP 775 - Non-Medicaid Children's Mental Health Services	0.00	671,928	0	0	671,928	0.00	671,928	0	0	671,928
DP 776 - Children's Mental Health Benefits	0.00	9,453,303	1,654,209	43,540,867	54,648,379	0.00	9,453,303	1,654,209	43,540,867	54,648,379
Total Other Present Law Adjustments										
3.00	\$14,050,967	\$728,591	\$49,794,325	\$64,573,883		3.00	\$16,232,822	\$721,823	\$54,903,681	\$71,858,326
Grand Total All Present Law Adjustments				\$64,573,883		\$71,858,326				

Present Law Adjustments

DP 141 - Utilization Contract Review - Children's MH - The legislature approved the executive request for an annual 5 percent increase in the mental health utilization review contract, for a total biennial increase of \$235,000 in operating costs. The funding mix of the contract changes resulting in a net general fund savings of \$531,678 over the biennium and an increase of \$700,494 federal funds. The contract was funded at a higher percent of general fund during the base budget year because it included functions related to MHSP that were funded entirely from the general fund. The contract will be funded at 25 percent general fund and 75 percent federal funds in the 2005 biennium since it will be related to Medicaid functions.

The funding for the contract increase was allocated between children and adult mental health services administration due to the planned reorganization of health care resources by DPHHS. A portion of the total contract increase (about \$26,000) over the biennium is appropriated to adult mental health services administered by the Addictive and Mental Disorders Division and a portion (about \$150,000) to the Child and Adult Health Care Resources for children's mental health services administration.

DP 143 - Medicaid Caseload - Children's Mental Health - The legislature approved \$22 million in caseload growth and service utilization for children's Medicaid mental health services. General fund increases \$10 million or almost half due to funding shifts initiated by the legislature.

The 2003 legislature reversed an appropriation initiative of the 2001 legislature, which used \$2 million of state special revenue each year from the county nursing home (IGT) intergovernmental transfer to offset general fund Medicaid match in mental health. The 2003 legislature transferred the nursing home IGT state special revenue to the Senior and Long Term Care Division and backfilled the \$2 million in state special revenue shortfall in mental health Medicaid match with general fund.

The \$2 million of IGT transferred to Senior and Long Term Care Division offset the general fund portion of the 1.87 percent provider rate reduction proposed by the Governor and offset \$1 million of general fund Medicaid match in community services for the elderly and disabled.

DP 351 - Fund Switch Medicaid-Children's Mental Health Services - The community mental health centers typically receive county tax funds of about \$1.3 million per year. The legislature accepted the executive proposal to request that counties voluntarily pay these funds to the State of Montana to provide the Medicaid match for mental health services, saving \$1.3 million general fund over the biennium, and replacing it with \$1.3 million state special revenue funds for the biennium. Part of the general fund offset is used in children's mental health services (\$1 million over the biennium) and part is used in adult mental health services (\$0.3 over the biennium and included in the Addictive and Mental Disorders Division budget).

DP 774 - Children's Mental Health Services Admin - PL - The legislature approved transfer of \$3.2 million total funds (\$1.3, million general fund) over the biennium, including funding for 3.00 FTE, from the Addictive and Mental Disorders Division to CAHCR for administration of children's mental health services. This appropriation and FTE level represents the funds associated with administration of children's mental health services in the fiscal 2002 base budget. It does not represent an increase in overall agency spending levels.

DP 775 - Non-Medicaid Children's Mental Health Services - This decision package includes funds for children's mental health services for low-income children who are not eligible for Medicaid. Children must be seriously emotionally disturbed in order to qualify for services in families with incomes below 150 percent of the federal poverty level. Services are funded entirely from the general fund and funding was added originally by the 2001 legislature to provide a some services for children who lost services when funding for the children's portion of Mental Health Services Plan was moved from 100 percent general fund to about 81 percent funds from the federal CHIP (Children's Health Insurance Program) grant, with the balance of general fund.

DPHHS indicated that a number of children previously eligible for MHSP would not qualify for CHIP even though the financial eligibility was the same. So the legislature approved about \$671,000 general fund each year for children who would lose services. Since MHSP was started after 1995, state general fund expenditures for children can count toward the TANF maintenance of effort (MOE).

This general fund/TANF MOE is the remaining funding available for expanded mental health services for children, since the CHIP funded portion of the benefits was discontinued in 2002 in order to reduce general fund expenditures.

DP 776 - Children's Mental Health Benefits - The legislature directed the department to propose ways to enhance administration of children's mental health services. The department convened a group of interested persons and considered several alternatives, recommending that children's mental health services be transferred to a new division that it had anticipated creating July 1, 2003.

The legislature accepted the executive proposal. This DP (776) includes base budget funding and expenditures for children's mental health services in fiscal 2002. The legislature also added funds for 2.00 new FTE (see DP 777) at the executive request. The legislature also decided to structure the appropriations to reflect the planned executive reorganization, showing the new Child and Adult Health Care Resources as a program in HB 2. Children's mental health services are included as a line item within that program.

Funds for children's mental health services were administered by the Addictive and Mental Disorders Division during the 2003 biennium and included in that division's Executive Budget request.

Funding for children's mental health services included in this decision package is entirely from Medicaid. DP 775 includes about \$671,000 general fund for mental health services children who are not eligible for Medicaid.

New Proposals										
Sub Program	Fiscal 2004					Fiscal 2005				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 339 - School Based Mental Health Services										
03	0.00	0	0	5,000,000	5,000,000	0.00	0	0	6,000,000	6,000,000
DP 353 - Provider Rate Reduction - Children's MH Svcs										
03	0.00	(318,288)	0	0	(318,288)	0.00	(357,420)	0	0	(357,420)
DP 777 - Children's Mental Health Services - FTE										
03	2.00	56,773	0	56,773	113,546	2.00	56,773	0	56,773	113,546
DP 778 - Out of Home Care Rate Increase - Children's MH										
03	0.00	101,261	0	272,120	373,381	0.00	103,099	0	270,855	373,954
DP 779 - HB 121- MSH Medicaid Rev. to General Fund										
03	0.00	3,180,119	0	(3,180,119)	0	0.00	3,180,119	0	(3,180,119)	0
Total	2.00	\$3,019,865	\$0	\$2,148,774	\$5,168,639	2.00	\$2,982,571	\$0	\$3,147,509	\$6,130,080

New Proposals

DP 339 - School Based Mental Health Services - The legislature approved an increase of \$11 million in federal Medicaid funds for the biennium to match in-school mental health programs that are currently being re-financed through the use of state and local education funds for the non-federal match. Local school expenditures provide the 28 percent non federal match for Medicaid services provided to Medicaid eligible students.

DP 353 - Provider Rate Reduction - Children's MH Services - The legislature accepted the general fund reduction for Medicaid matching funds recommended in the Executive Budget. The legislature partially offset the general fund reductions with revenue from the Prevention and Stabilization Fund through an appropriation in SB 485, which was enacted.

DP 777 - Children's Mental Health Services - FTE - The legislature requested that DPHHS propose alternatives for administration of children's mental health services. DPHHS recommended placing children's mental health services in a new division that it had anticipated creating beginning in fiscal 2005, with Medicaid primary care and CHIP services. DPHHS requested funding for 2.00 new FTE in addition to the 3.00 FTE that would be transferred from the Addictive and Mental Disorders Division to the new division. The legislature added funds for FTE - about \$114,000 general fund and a like amount of matching federal funds over the biennium.

DP 778 - Out of Home Care Rate Increase - Children's MH - The legislature approved a 1 percent rate increase for children's therapeutic group home services, adding about \$204,000 general fund (\$750,000 total funds). Rates for these services remained unchanged from 1995 until fiscal 2003. However, the rate increase granted at the beginning of fiscal 2003 was more than offset by a 5 percent rate reduction in January 2003, which was imposed by AMDD in order to

avoid over spending general fund appropriations.

DP 779 - HB 121- MSH Medicaid Rev. to General Fund - The legislature added \$6 million general fund over the biennium and reduced federal funds by a like amount due to passage and approval of HB 121. Previously, Medicaid revenue generated primarily by the nursing care center could be used to fund mental health managed care programs. HB 121 changes statute to disallow that use. The \$6 million in federal Medicaid reimbursement was expended for residential treatment services for children in the fiscal 2002 base budget.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	182.54	11.00	(0.10)	193.44	11.00	(0.10)	193.44	193.44
Personal Services	5,922,966	1,546,645	55,036	7,524,647	1,572,114	243,736	7,738,816	15,263,463
Operating Expenses	4,114,978	450,974	441,879	5,007,831	481,219	455,894	5,052,091	10,059,922
Equipment	29,188	44,166	3,000	76,354	44,006	0	73,194	149,548
Grants	6,733,625	162,944	253,000	7,149,569	162,944	253,000	7,149,569	14,299,138
Benefits & Claims	156,816,094	11,549,788	5,060,463	173,426,345	13,521,915	8,069,453	178,407,462	351,833,807
Transfers	0	0	0	0	0	0	0	0
Debt Service	17,726	0	0	17,726	0	0	17,726	35,452
Total Costs	\$173,634,577	\$13,754,517	\$5,813,378	\$193,202,472	\$15,782,198	\$9,022,083	\$198,438,858	\$391,641,330
General Fund	43,176,672	1,982,388	(3,096,133)	42,062,927	3,321,898	(3,294,334)	43,204,236	85,267,163
State/Other Special	7,494,929	1,621,564	4,129,313	13,245,806	1,623,791	5,356,544	14,475,264	27,721,070
Federal Special	122,962,976	10,150,565	4,780,198	137,893,739	10,836,509	6,959,873	140,759,358	278,653,097
Total Funds	\$173,634,577	\$13,754,517	\$5,813,378	\$193,202,472	\$15,782,198	\$9,022,083	\$198,438,858	\$391,641,330

Program Description

The Senior and Long Term Care Division plans, administers, and provides publicly-funded long-term care services for Montana's senior citizens and persons with physical disabilities. In addition, the division provides education and support regarding aging and long-term care issues to Montanans of all ages. The division makes services available through six major programs: 1) The Office on Aging provides meals, transportation, public education, information and assistance, long-term care ombudsman, and other services; 2) Medicaid Community Services Program pays for in-home, assisted living, and other community-based services to Medicaid-eligible individuals as an alternative to nursing home care; 3) Medicaid Nursing Facility Program pays for care to Medicaid-eligible individuals in 97 Montana nursing homes; 4) Protective services, including the investigation of abuse, neglect, and exploitation, are provided by adult protective services social workers; 5) Skilled nursing facility care is provided to veterans at the 105-bed Montana Veterans' Home (MVH) in Columbia Falls and the 80-bed Eastern Montana Veterans' Home in Glendive; and 6) the State Supplemental Payments Program pays for a portion of the room and board costs for SSI eligible individuals residing in designated residential care facilities.

Summary of Legislative Action

Senior and Long Term Care Division	
Major Budget Highlights	
○	Total increase of \$44.3 million comparing 2005 biennium appropriation to base budget expenditures, with a net decrease of \$1.0 million general fund
○	Medicaid eligibility reductions estimated to affect 551 persons receiving nursing home services
○	A net increase of \$38.0 million total funds, including a \$1.0 million general fund reduction, for Medicaid services with the following expansions and contractions
??	Increased caseloads
??	Expansion of the nursing home IGT (\$19.0 million federal and state special revenue
??	Expansion of the Home and Community Based waiver by 30 slots
??	Reductions in eligibility
??	Some rate reduction for community services providers
??	Elimination of HB 2 funding for Medicaid hospice program and

- in-home therapy services for persons in the Medicaid waiver, with 2005 biennium funding appropriated in SB 485
- Other reductions include
 - ?? Aging services community services reductions
 - ?? Reductions in APS services and abuse prevention grants
 - Increases of \$3.3 million federal and state special revenue for veterans' homes, including funding for 10.4 FTE to staff the special care unit at MVH and to deal with increasing patient acuity and service needs
 - SB 407 increased allocation of cigarette tax revenue to veterans' homes

The Senior and Long Term Care Division (SLTC) appropriation is \$44 million higher in the 2005 biennium compared to the base budget. Increases are primarily in federal funds (\$33 million) and state special revenue (\$13 million). Increases are offset by a \$1.1 million general fund reduction, mainly due to funding shifts that offset general fund through use of state special revenue from counties participating in the Medicaid intergovernmental transfer (IGT) for nursing homes.

The most significant appropriation and policy issues considered by the legislature with respect to this division are:

- Approval of one-time Medicaid payments through an IGT for nursing homes of up to \$46 million total funds over the biennium
- Use of \$3 million in county nursing home Medicaid IGT funds over the biennium to offset general fund Medicaid match in community Medicaid services for the elderly and disabled and to restore the 1.87 percent provider rate reduction included in the Executive Budget for nursing homes
- Acceptance of changes in Medicaid eligibility proposed by the Governor that reduce \$1.4 million general fund (\$5 million total funds) over the biennium
- Increased state special revenue from the cigarette tax to fund a net increase of 11.00 FTE primarily due to addition of an Alzheimer's special care unit at MVH
- Approval of SB 485, which includes \$9 million in state special revenue appropriations from the Prevention and Stabilization Fund to offset HB 2 general fund reductions to continue the Medicaid hospice program and in-home therapy services, Medicaid rates for community services, and aging services

The figure on the next page shows division appropriations by major function, benefits, grants, and each veterans' home. While the annual 2005 biennium appropriation grows between 5 and 6 percent compared to the base budget, general fund declines in fiscal 2005 compared to the base budget and increases negligibly in fiscal 2005.

Senior and Long-Term Care Division 2002 Base Budget Expenditures and 2005 Beinnium Appropriation by Major Function and Benefit												
Function and Benefits and Grants	Fiscal 2002 Base Budget				Fiscal 2004 Legislative Appropriation				Fiscal 2005 Legislative Appropriation			
	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Percent of Total
Division Administration	\$136,867	\$55,120	\$151,560	\$343,547	\$165,936	\$104,488	\$165,207	\$435,631	\$209,733	\$235,469	\$180,571	0%
Medicaid Services	39,468,939	4,401,344	113,803,800	157,674,083	38,386,208	8,718,566	127,271,084	174,375,858	39,423,267	9,816,671	130,058,379	90%
Aging Services	2,227,690	-	5,994,826	8,222,516	2,075,253	62,925	6,758,207	8,896,385	2,133,460	71,174	6,758,118	5%
Veterans' Homes	1,260	2,888,386	2,652,077	5,541,723	0	4,137,927	3,334,223	7,472,150	0	4,130,278	3,397,092	4%
Adult Protective Svcs	<u>1,341,916</u>	<u>150,079</u>	<u>360,713</u>	<u>1,852,708</u>	<u>1,435,530</u>	<u>221,900</u>	<u>365,018</u>	<u>2,022,448</u>	<u>1,437,776</u>	<u>221,672</u>	<u>365,198</u>	1%
Total Division	<u>\$43,176,672</u>	<u>\$7,494,929</u>	<u>\$122,962,976</u>	<u>\$173,634,577</u>	<u>\$42,062,927</u>	<u>\$13,245,806</u>	<u>\$137,893,739</u>	<u>\$193,202,472</u>	<u>\$43,204,236</u>	<u>\$14,475,264</u>	<u>\$140,759,358</u>	100%
Percent of Total	24.9%	4.3%	70.8%	100.0%	21.8%	6.9%	71.4%	100.0%	21.8%	7.3%	70.9%	100.0%
Compounded Annual Rate of Change from Fiscal 2000 Base					-1.3%	32.9%	5.9%	5.5%	0.0%	24.5%	4.6%	4.6%
Benefits												
<i>Medicaid</i>												
Nursing Homes	\$26,603,976	\$703,779	\$71,254,462	\$98,562,217	\$26,261,309	\$1,396,008	\$76,265,460	\$103,922,777	\$26,743,396	\$1,433,507	\$75,333,313	52%
Intergovt. Transfer	-	3,697,565	9,920,593	13,618,158	-	6,077,957	16,317,456	22,395,413	-	7,089,712	18,832,208	13%
Home Based Services	6,195,731	-	16,650,181	22,845,912	5,517,189	1,162,701	17,950,973	24,630,863	6,084,098	1,212,299	19,168,589	13%
Waiver Services	5,518,010	-	14,828,629	20,346,639	5,571,150	81,900	15,282,899	20,935,949	5,859,449	81,090	14,970,471	11%
Nurse Aide Testing	199,734	-	199,734	399,468	199,734	-	199,734	399,468	199,734	-	199,734	0%
State Supplement	824,000	-	-	824,000	922,175	-	-	922,175	980,162	-	-	0%
Adult Protective Svcs*	119,601	-	-	119,601	69,601	-	-	69,601	69,601	-	-	0%
Institutional - MVH	246,911	-	(146,912)	99,999	-	-	99,999	99,999	-	-	99,999	0%
Adjustments	-	-	100	100	-	-	100	100	-	-	100	0%
Subtotal Benefits	<u>\$39,707,963</u>	<u>\$4,401,344</u>	<u>\$112,706,787</u>	<u>\$156,816,094</u>	<u>\$38,541,158</u>	<u>\$8,718,566</u>	<u>\$126,116,621</u>	<u>\$173,376,345</u>	<u>\$39,936,440</u>	<u>\$9,816,608</u>	<u>\$128,604,414</u>	90%
Percent of Total	25%	3%	72%	100%	22%	5%	73%	100%	22%	6%	72%	100%
Compounded Annual Rate of Change from Fiscal 2000 Base					-1%	41%	6%	5%	0%	31%	4%	4%
Grants												
Aging Grants	\$1,193,107	\$0	\$5,540,518	\$6,733,625	\$936,112	\$0	\$6,263,457	\$7,199,569	\$936,116	\$0	\$6,263,453	4%
Percent of Total Div.	18%	0%	82%	100%	13%	0%	87%	100%	13%	0%	87%	100%
Compounded Annual Rate of Change from Fiscal 2002 Base					-11%	n/a	6%	3%	-8%	n/a	4%	2%
Veterans' Homes												
Montana Vets' Home	\$1,260	\$2,767,512	\$1,652,115	\$4,420,887	\$0	\$3,936,798	\$2,107,654	\$6,044,452	\$0	\$3,925,182	\$2,149,807	3%
Eastern Vets' Home	-	120,874	999,962	1,120,836	-	201,129	1,226,569	1,427,698	-	205,096	1,247,285	1%
Subtotal Vets' Homes	<u>\$1,260</u>	<u>\$2,888,386</u>	<u>\$2,652,077</u>	<u>\$5,541,723</u>	<u>\$0</u>	<u>\$4,137,927</u>	<u>\$3,334,223</u>	<u>\$7,472,150</u>	<u>\$0</u>	<u>\$4,130,278</u>	<u>\$3,397,092</u>	
Percent of Total	0%	52%	48%	100%	0%	55%	45%	100%	0%	55%	45%	100%
Compounded Annual Rate of Change from Fiscal 2000 Base					n/a	20%	12%	16%	n/a	13%	9%	11%

*Adult protective services include a \$50,000 reduction in grants that is shown as a benefit reduction in this table.

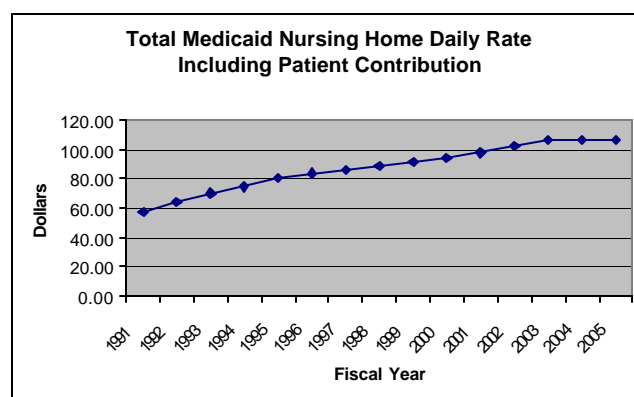
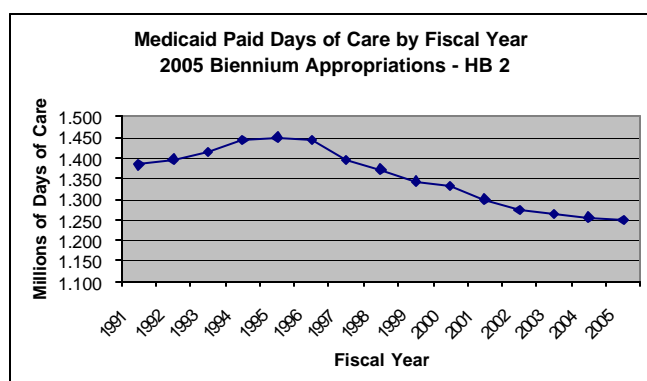
The Medicaid function is the most significant subprogram in SLTC, accounting for 90 percent of the total division appropriation in fiscal 2005. If the increase in nursing home bed tax authorized in HB 705 were included in HB 2, the nursing home program would account for 91 percent of the total division fiscal 2005 appropriation. The total nursing home appropriation including HB 705 for the 2005 biennium is \$139,221,892 in fiscal 2004 and \$148,191,777 in fiscal 2005.

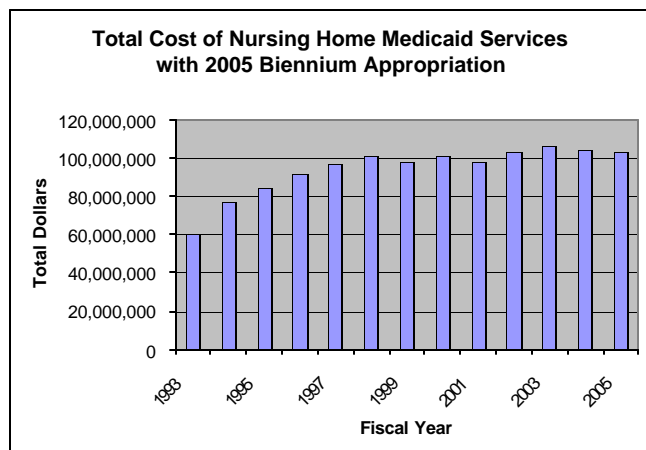
The HB 2 appropriation supports an average daily Medicaid reimbursement of \$81.56 for nursing home care, not including patient contribution. The legislature appropriated additional one-time funds through an intergovernmental transfer and provider tax authorized in HB 705 to bring the average daily Medicaid rate to \$117.70 in fiscal 2005, a 7 percent annual rate increase above the comparable fiscal 2002 rate.

Nursing home appropriations are the most significant component of the Medicaid function, accounting for 65 percent of the total appropriation for Medicaid services in fiscal 2005, when the intergovernmental transfer program is included. The number of Medicaid nursing home services is expected to continue to decline as shown in the following figure. The number of days of reimbursed care peaked in fiscal 1995 and has slowly declined, most likely due to availability of other community service alternatives such as independent living services and home based services.

Estimated Average Daily Medicaid Rate - Nursing Homes Fiscal 2002 Actual Compared to 2005 Biennium Appropriation			
Component	Fiscal 2002	Fiscal 2004	Fiscal 2005
HB 2 Ongoing Rate	\$79.38	\$81.56	\$81.56
One Time Add Ons			
Intergovernmental Transfer	10.70	18.50	21.00
HB 705 - Bed Tax	-	10.29	15.14
Total State Paid Rate	\$90.08	\$110.35	\$117.70
Annual Compounded Rate of Increase		11%	7%
Patient Contribution	<u>22.87</u>	<u>24.66</u>	<u>25.10</u>
Estimated Total Average Payment	<u>\$112.95</u>	<u>\$135.01</u>	<u>\$142.80</u>

The average daily Medicaid rate per nursing home bed day has continued to increase. The rates shown in the graphic figure are the ongoing base rates and do not include the one-time increases due to the intergovernmental transfer or the increase in bed tax approved during the 2005 biennium.





The total appropriation for nursing home services has increased over the years despite the reduction in the number of services. Rate increases account for the overall appropriation increase. The total appropriation shown in the graphic includes ongoing costs but none of the one time add on amounts approved by either the 2003 or 2005 legislature

Two other Medicaid services - home based services and community waiver services - account for about one quarter of the SLTC appropriation. Home-based services are an entitlement, meaning that the service is provided, if medically necessary, to any qualified Medicaid beneficiary. Examples of home-based services include: 1) private duty nursing; 2) personal care attendant services; and 3) home health. Community waiver services are not an entitlement. Certain

services, such as assisted living, personal care facilities, adult residential, homemaker, and case management are provided to persons who meet nursing level of care and can be served at home or a lesser setting and there is community service capacity available.

Nurse aide testing, required by federal law, is offered to nurse aides working in nursing homes. Testing is matched 50 percent state funds and 50 percent federal Medicaid funds as are administrative costs. Otherwise, Medicaid benefits administered by SLTC are matched at about 28 percent general fund and 72 percent federal funds during the 2005 biennium.

The remaining benefit programs administered by this division - state supplement, adult protective services, and institutional benefits - are small compared to other benefits and services.

The state supplement is a payment made to Medicaid eligible persons living in community group home settings who otherwise would be eligible for nursing home or institutional level of care. State supplement payments increase due mainly to the change of mission at Eastmont and the downsizing of the Montana Mental Health Nursing Care Center. As a result of those two actions, about 41 persons are expected to move into group homes in the community, becoming eligible to receive state supplement payments.

Aging services comprises the entire grant appropriation and 4 percent of the total division appropriation. Aging services administers funding from the Older Americans Act, which supports contracts with Area Agencies on Aging to provide meals, transportation, public education, information and assistance, and other services to older Montanans. While the total appropriation grows due to increases in federal funds, general fund appropriations in the 2005 biennium are lower due to reductions in grants to Area Agencies on Aging.

The veterans' home services administer the two skilled nursing facilities for veterans. The facilities are supported by federal payments from the Veterans' Administration, cigarette tax revenues and private payments. The increase in appropriations for the veterans' homes is due to annualization of the 2003 biennium pay plan and the cost of the special care unit at MVH that opened in mid fiscal 2002.

The protective services function includes investigation of allegations of abuse and neglect for adults age 60 or older and disabled individuals age 18 or older. When allegations are substantiated, adult protective services workers assist victims of abuse and neglect to access services. Appropriation increases to fund annualization of FTE funding authorized by the 2003 legislature are partially offset by legislative acceptance of the executive recommendation to reduce protective services benefits by \$50,000 general fund each year.

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as adopted by the legislature.

Program Funding Table Senior & Long-Term Care						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$ 43,176,672	24.9%	\$ 42,062,927	21.8%	\$ 43,204,236	21.8%
02023 Private Ins. Medicaid Reim.-Ve	2,022,840	1.2%	2,420,395	1.3%	2,420,295	1.2%
02032 Vets-I&I Lease	5,000	0.0%	5,000	0.0%	5,000	0.0%
02053 Medicaid Nursing Home Match	3,697,565	2.1%	7,689,096	4.0%	8,738,413	4.4%
02260 Cigarette Tax Revenue	915,666	0.5%	1,817,020	0.9%	1,940,452	1.0%
02497 Over \$600,000 Lien & Estate	150,079	0.1%	384,890	0.2%	383,852	0.2%
02783 Traumatic Brain Injury Donations	-	-	3,872	0.0%	7,744	0.0%
02784 Water'S Edge Corp. Tax Dphhs	-	-	162,701	0.1%	212,299	0.1%
02796 Sltc Conference	-	-	59,053	0.0%	63,430	0.0%
02987 Tobacco Interest (Real Fund)	703,779	0.4%	703,779	0.4%	703,779	0.4%
03005 Emvh V-A Nursing Reimbursement	999,962	0.6%	1,226,569	0.6%	1,247,285	0.6%
03015 Aging - Fire Assistance	45,390	0.0%	45,390	0.0%	45,390	0.0%
03062 Aging - Nasua	42,605	0.0%	42,605	0.0%	42,605	0.0%
03073 Aging - Farmers Market	34,265	0.0%	34,265	0.0%	34,265	0.0%
03112 Vets-V.A. Reimb	1,524,897	0.9%	1,973,901	1.0%	2,013,379	1.0%
03501 64.014 - Vets St. Domic Care 1	127,218	0.1%	133,753	0.1%	136,428	0.1%
03514 10.570 - Elderly Feeding 100%	740,694	0.4%	740,694	0.4%	740,694	0.4%
03515 93.041 - Elder Abuse Prev 100%	19,082	0.0%	19,082	0.0%	19,082	0.0%
03516 93.042 - Ombudsman Activity 10	44,730	0.0%	44,730	0.0%	44,730	0.0%
03517 93.043 - Preventive Hlth 100%	104,003	0.1%	104,003	0.1%	104,003	0.1%
03518 93.044 - Aging Sup S & Train 1	1,630,744	0.9%	1,843,307	1.0%	1,846,340	0.9%
03519 93.045 - Aging Meals 100%	2,600,251	1.5%	2,600,251	1.3%	2,600,251	1.3%
03537 93.779 - Hlth Info Counseling	130,480	0.1%	130,480	0.1%	130,480	0.1%
03579 93.667 - Ssbj - Benefits	299,936	0.2%	297,973	0.2%	298,072	0.2%
03580 93.778 - Med Adm 50%	1,275,716	0.7%	1,318,799	0.7%	1,330,787	0.7%
03583 93.778 - Med Ben Fmap	112,706,687	64.9%	126,016,621	65.2%	128,804,251	64.9%
03666 Aging - Caregiver Iii-E	636,316	0.4%	636,316	0.3%	636,316	0.3%
03799 Older Worker Program	-	-	560,000	0.3%	560,000	0.3%
03976 Hcsb - Tbi Planning - 93.234A	-	-	125,000	0.1%	125,000	0.1%
Grand Total	\$ 173,634,577	100.0%	\$ 193,202,472	100.0%	\$ 198,438,858	100.0%

The SLTCD is funded primarily by federal funds. General fund declines from 25 percent of base budget funding to 22 percent of the appropriation. State special revenue increases from 4 percent of fiscal 2002 costs to 7 percent of the 2005 biennium appropriation. Federal funds remain constant at 71 percent of base budget funding and the fiscal 2005 appropriation.

General fund pays: 1) the state match for Medicaid eligible costs; 2) the majority of protective services for adult and disabled persons; 3) state supplement payments for persons receiving Social Security supplemental income (SSI); and 4) a portion of aging services administrative and service costs. General fund provides about \$79 million over the 2005 biennium for Medicaid match.

State special revenue is comprised of several sources: 1) county funds support the non-federal share of Medicaid matching funds for the nursing home Medicaid intergovernmental transfer (IGT) and \$2 million each year for nursing home rate increases and Medicaid match for community based services; 2) cigarette tax revenue and Medicaid reimbursement support veterans' services, including the two veterans' homes; 3) lien and estate revenue collections fund APS workers and offset general fund Medicaid match; and 4) interest from the tobacco tax settlement proceeds constitutional trust fund also provides Medicaid matching funds. In addition, HB 721 (water's edge corporation tax) allocates \$375,000 state special revenue to DPHHS to be used as Medicaid matching funds and the legislature allocated the funds to offset a portion of the community services Medicaid provider rate decrease proposed by the Governor and a wage increase for direct care workers. State special revenue provides about \$20 million for Medicaid match.

The following table shows the projected fund balance for cigarette tax revenue allocated to veterans' services. Expenditures increase due to the new Special Care Unit at MVH. SB 407 increased wholesale taxes on a pack of cigarettes from 52 to 70 cents. SB 406 also changed the amount of cigarette tax revenue allocated to veterans' homes from 11.11 percent of the total tax proceeds to the greater of 8.3 percent of tax proceeds or \$2 million. The fiscal 2003 and 2005 biennium revenues are based on revenue estimates in the fiscal note for SB 406. The projected ending fund balance in fiscal 2005 is slightly more than the fiscal 2005 annual appropriation.

Cigarette Tax Proceeds and Fund Balance Veterans' Services				
Fund Balance Deposits/Expenditures	Fiscal 2002	Fiscal 2003*	Fiscal 2004*	Fiscal 2005*
Beginning Fund Balance	\$2,264,621	\$2,635,774	\$2,049,575	\$2,077,830
<u>Revenue/Transfers In</u>				
Cigarette Tax	1,199,664	1,197,000	2,142,187	2,058,233
Service Reimbursements**	820,142	-	-	-
Prior Year Revenue	4,690	-	-	-
Subtotal Revenue	2,024,496	1,197,000	2,142,187	2,058,233
<u>Expenditures</u>				
Veterans' Homes Operations	915,666	1,264,666	1,817,020	1,940,452
Long-Range Building	1,235,665	455,123	231,600	-
Cost Allocated Admin.	61,563	63,410	65,312	67,272
Subtotal Expenditures	2,212,894	1,783,199	2,113,932	2,007,724
Adjustments	202,520	-	-	-
Ending Fund Balance	<u>\$2,278,743</u>	<u>\$2,049,575</u>	<u>\$2,077,830</u>	<u>\$2,128,339</u>
*Revenue based on estimates adopted in HJR 1 for fiscal 2003 and the fiscal note for for SB 407 for fiscal 2004 and fiscal 2005.				
**Reimbursement from Veterans' Administration for Special Care Unit construction costs.				

Federal funds support Medicaid payments for nursing homes and community services for aged and disabled persons, aging services administered by the Area Agencies on Aging, and the veterans' homes. Medicaid is by and large the most significant funding source, accounting for \$257 million of the appropriation over the biennium, or 66 percent of the total program appropriation.

Biennial Comparison

The 2005 biennium appropriation is 7 percent greater than comparable expenditures and appropriations for the 2003 biennium. The growth is in appropriations of federal and state special revenue, as general fund appropriations decline \$4 million. The services expenditure category with a \$20 million increase, which accounts for 80 percent of the change between biennia, is the most significant change. Personal services shows the next largest increase at 11 percent, due to annualization of the 2003 biennium pay plan and veterans' home and APS personal services funding increases authorized by the 2001 legislature, and an allocation for the 2005 biennium pay plan.

2003 Biennium Compared to 2005 Biennium Senior and Long-Term Care Division					
Budget Item/Fund	2003 Biennium	2005 Biennium	Percent of Total	Change	Percent of Change
FTE	193.54	194.44		0.90	
Personal Services	\$ 12,557,582	\$ 15,263,463	4%	\$ 2,705,881	11%
Operating	8,343,875	10,059,922	3%	1,716,047	7%
Equipment	103,812	149,548	0%	45,736	0%
Grants	13,835,888	14,299,138	4%	463,250	2%
Benefits & Claims	331,925,396	351,833,807	90%	19,908,411	80%
Debt Service	22,129	35,452	0%	13,323	0%
Total Costs	\$366,788,682	\$391,641,330	100%	\$ 24,852,648	100%
General Fund	\$ 89,319,151	\$ 85,267,163	22%	\$ (4,051,988)	-16%
State Special	16,525,706	27,721,070	7%	11,195,364	45%
Federal Funds	<u>260,943,825</u>	<u>278,653,097</u>	<u>71%</u>	<u>17,709,272</u>	<u>71%</u>
Total Funds*	<u>\$366,788,682</u>	<u>\$391,641,330</u>	100%	<u>\$ 24,852,648</u>	<u>100%</u>
Percent Increase				7%	

Present law adjustments and new proposals are discussed in the programmatic function areas that follow the listing of all appropriation changes. The division is comprised of several major functions that are listed and discussed separately in the following narrative.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				1,328,370						1,349,196
Vacancy Savings				(290,065)						(290,882)
Inflation/Deflation				1,146						4,485
Fixed Costs				12,761						21,471
Total Statewide Present Law Adjustments				\$1,052,212						\$1,084,270
DP 99 - APS Lien and Estate PLA Annualization										
	2.00	0	71,821	0	71,821	2.00	0	71,593	0	71,593
DP 101 - HCBS Waiver Caseload										
	0.00	257,268	0	691,366	948,634	0.00	352,269	0	593,364	945,633
DP 103 - Nursing Hm FY 02-03 IGT Budgeted Adjustments										
	0.00	0	596,140	1,602,015	2,198,155	0.00	0	606,031	1,592,124	2,198,155
DP 105 - Home Based Caseload and FY 02 Base Correction										
	0.00	669,613	0	1,799,165	2,468,778	0.00	1,263,689	0	2,946,691	4,210,380
DP 106 - NH Caseload Growth & Rate Increase										
	0.00	1,042,473	0	4,862,381	5,904,854	0.00	1,657,486	0	4,445,467	6,102,953
DP 109 - State Supplement Caseload										
	0.00	27,087	0	0	27,087	0.00	59,994	0	0	59,994
DP 115 - EMVH Program Adjustments										
	0.00	0	57,000	226,607	283,607	0.00	0	57,000	247,323	304,323
DP 116 - EMVH Equipment										
	0.00	0	18,000	0	18,000	0.00	0	18,000	0	18,000
DP 119 - MVH Program Adjustments										
	9.00	0	556,948	0	556,948	9.00	0	562,636	0	562,636
DP 120 - Aging FY03 Wage Increase, Fed Spending Auth										
	0.00	0	0	198,255	198,255	0.00	0	0	198,255	198,255
DP 122 - MVH Equipment										
	0.00	0	26,166	0	26,166	0.00	0	26,006	0	26,006
Total Other Present Law Adjustments										
	11.00	\$1,996,441	\$1,326,075	\$9,379,789	\$12,702,305	11.00	\$3,333,438	\$1,341,266	\$10,023,224	\$14,697,928
Grand Total All Present Law Adjustments					\$13,754,517					\$15,782,198

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

New Proposals										
Program	Fiscal 2004					Fiscal 2005				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 102 - TBI Grant Spending Authority										
22	0.00	0	3,872	125,000	128,872	0.00	0	7,744	125,000	132,744
DP 104 - Nursing Hm FY 04-05 IGT Spending Authority										
22	0.00	0	1,784,252	4,794,848	6,579,100	0.00	0	2,786,116	7,319,491	10,105,607
DP 112 - HB 721 -Community Direct Care Worker Rate Increase										
22	0.00	0	43,870	117,892	161,762	0.00	0	94,571	248,449	343,020
DP 114 - Aging/HCBS Conference Spending Authority										
22	0.00	0	59,053	0	59,053	0.00	0	63,430	0	63,430
DP 117 - MVH Staff										
22	1.40	0	54,858	0	54,858	1.40	0	54,896	0	54,896
DP 125 - Older Workers Program Grant										
22	0.00	0	0	560,000	560,000	0.00	0	0	560,000	560,000
DP 284 - FTE Reduction										
22	(1.50)	(40,545)	0	(17,398)	(57,943)	(1.50)	(40,545)	0	(17,244)	(57,789)
DP 700 - State Supplement - Nursing Care Center/Eastmont										
22	0.00	75,762	0	0	75,762	0.00	101,088	0	0	101,088
DP 703 - Cigarette Tax-Montana Veterans' Homes (Restricted)										
22	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 773 - Nursing Home IGT Offset General Fund										
22	0.00	(1,000,000)	1,000,000	0	0	0.00	(1,000,000)	1,000,000	0	0
DP 992 - Partial Offset - Medicaid Rate Reduction										
22	0.00	(873,056)	729,970	1,349,178	1,206,092	0.00	(926,715)	766,429	1,372,453	1,212,167
DP 993 - Home Health Therapy Services										
22	0.00	(34,000)	0	(91,369)	(125,369)	0.00	(34,000)	0	(89,322)	(123,322)
DP 994 - Reduce General Fund - Aging Services										
22	0.00	(257,000)	0	0	(257,000)	0.00	(257,000)	0	0	(257,000)
DP 995 - Hospice Program										
22	0.00	(174,466)	0	(468,845)	(643,311)	0.00	(193,048)	0	(507,162)	(700,210)
DP 996 - Change Medicaid Eligibility Standards										
22	0.00	(593,011)	0	(1,593,608)	(2,186,619)	0.00	(788,275)	0	(2,070,902)	(2,859,177)
DP 998 - Reduce APS Abuse Prevention Grants										
22	0.00	(50,000)	0	0	(50,000)	0.00	(50,000)	0	0	(50,000)
DP 999 - FY 03 Lien and Estate Expenditures										
22	0.00	(162,990)	162,990	0	0	0.00	(162,180)	162,180	0	0
DP 6800 - HB 13 -Pay Plan										
22	0.00	13,173	40,448	4,500	58,121	0.00	56,341	171,178	19,110	246,629
Total	(0.10)	(\$3,096,133)	\$4,129,313	\$4,780,198	\$5,813,378	(0.10)	(\$3,294,334)	\$5,356,544	\$6,959,873	\$9,022,083

New Proposals

New proposals are appropriations for new or expanded services above the cost of providing the level of service authorized by the previous legislature. Changes in funding for services are usually considered new proposals as well. Each new proposal will be discussed in the following sub-program narratives that correspond to major division functions. Some new proposals, such as provider rate increases, affect more than one sub-program.

Language

The legislature approved the following language for inclusion in HB 2.

"Items [hospice program, aging services, home-based therapy services] are contingent upon passage and approval of a bill or bills that establish a state special revenue account for prevention and stabilization of department programs that receives at least \$13.7 million of estimated revenue in fiscal year 2004 and \$16.5 million of estimated revenue in fiscal year 2005 from cigarette and chew tobacco taxes, reallocation of tobacco settlement proceeds allocated by 17-6-606 (2), and other sources."

"Item [cigarette tax for Montana veterans' homes] may be used only to operate Montana veterans' homes at capacity to maximize collection of federal and private payments."

"The department shall distribute funds in [Direct Care worker wage increases] in a way that provides reasonable assurance that the funds are used solely for direct care wage and benefit increases. Not all providers or types of direct care workers must receive the same rate increase for the biennium. Funds appropriated in [Direct Care worker wage increases] may be used only for direct care worker wage increases. Funds in [Direct Care worker wage increases] may not be used to fund other programs."

Sub-Program Details

Medicaid Services 01

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	15.89	0.00	0.00	15.89	0.00	0.00	15.89	15.89
Personal Services	732,638	65,901	0	798,539	65,016	0	797,654	1,596,193
Operating Expenses	1,066,718	(1,202)	122,000	1,187,516	(988)	125,000	1,190,730	2,378,246
Equipment	2,334	0	3,000	5,334	0	0	2,334	7,668
Benefits & Claims	155,872,393	11,520,421	4,991,655	172,384,469	13,457,121	7,978,085	177,307,599	349,692,068
Total Costs	\$157,674,083	\$11,585,120	\$5,116,655	\$174,375,858	\$13,521,149	\$8,103,085	\$179,298,317	\$353,674,175
General Fund	39,468,939	1,754,792	(2,837,523)	38,386,208	3,058,546	(3,104,218)	39,423,267	77,809,475
State/Other Special	4,401,344	596,140	3,721,082	8,718,566	606,031	4,809,296	9,816,671	18,535,237
Federal Special	113,803,800	9,234,188	4,233,096	127,271,084	9,856,572	6,398,007	130,058,379	257,329,463
Total Funds	\$157,674,083	\$11,585,120	\$5,116,655	\$174,375,858	\$13,521,149	\$8,103,085	\$179,298,317	\$353,674,175

Medicaid services includes reimbursements for Medicaid eligible services provided by state institutions and three types of health services administered through contracts with local providers - nursing home services, home-based entitlement services, and community services limited by a waiver of federal Medicaid regulations. The present law adjustment for each of these services is due to increases in the number of persons eligible for services and utilization changes and annualization of the fiscal 2003 Medicaid county nursing home IGT increase authorized by the 2001 legislature.

New proposals include funds for expansion of the Medicaid community based waiver services and for the nursing home IGT. Expansions are more than offset by reductions in eligibility and services and elimination of the general fund support for Medicaid hospice and in-home therapy services, which are funded in SB 485.

Medicaid Services is funded with general fund, state special revenue from the interest on the tobacco settlement trust fund and Medicaid lien and estate recoveries, and federal Medicaid matching funds. The Medicaid program accounts for 89 percent of total SLTCD expenditures in fiscal 2005, declining slightly from the base budget at 91 percent. The Medicaid general fund expenditures declined from 91 percent in the base budget to 90 percent of the 2005 request.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					99,172					98,252
Vacancy Savings					(33,271)					(33,236)
Inflation/Deflation					502					716
Fixed Costs					(1,704)					(1,704)
Total Statewide Present Law Adjustments					\$64,699					\$64,028
DP 101 - HCBS Waiver Caseload										
	0.00	257,268	0	691,366	948,634	0.00	352,269	0	593,364	945,633
DP 103 - Nursing Hm FY 02-03 IGT Budgeted Adjustments										
	0.00	0	596,140	1,602,015	2,198,155	0.00	0	606,031	1,592,124	2,198,155
DP 105 - Home Based Caseload and FY 02 Base Correction										
	0.00	669,613	0	1,799,165	2,468,778	0.00	1,263,689	0	2,946,691	4,210,380
DP 106 - NH Caseload Growth & Rate Increase										
	0.00	1,042,473	0	4,862,381	5,904,854	0.00	1,657,486	0	4,445,467	6,102,953
Total Other Present Law Adjustments										
	0.00	\$1,969,354	\$596,140	\$8,954,927	\$11,520,421	0.00	\$3,273,444	\$606,031	\$9,577,646	\$13,457,121
Grand Total All Present Law Adjustments					\$11,585,120					\$13,521,149

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 101 - HCBS Waiver Caseload - The legislature added \$609,537 general fund and \$1,284,730 in federal funds over the biennium to increase the Home and Community Based (HCBS) waiver by 30 slots over current level. The waiver provides services that assist people to remain in their own homes, or live in small residential settings. Without the HCBS funded support, many people have no choice but to enter a nursing home. Medicaid funded nursing home care has decreased significantly over the past several years due, in part, to the targeted expansion of HCBS services.

This appropriation adds the funding for waiver services to support about 30 people over the fiscal 2003 level. It does not include funding of a 1.5 percent provider rate increase, a 3 percent direct care wage increase appropriated in fiscal 2003, or the remainder of the fiscal 2003 legislatively approved waiver expansion, all of which were delayed as part of the division 3.5 percent reductions to comply with Section 17-7-140, MCA.

DP 103 - Nursing Hm FY 02-03 IGT Budgeted Adjustments - The legislature approved the executive request for an additional \$4.4 million (state special revenue and federal funds) to implement the Medicaid IGT for nursing homes during the 2005 biennium. The 2001 legislature approved an IGT in which counties were able to enter into voluntary agreements to transfer county funds to the department to be used as Medicaid match to make lump sum payments to "at risk" county affiliated nursing homes, and smaller lump sum payments to non-county nursing homes. The program also provided \$2.0 million per year in additional state special revenue that offset general fund match costs for state Medicaid mental health services. This appropriation funds the IGT increase appropriated by the legislature for fiscal 2003 that is not in the fiscal 2002 base.

DP 105 - Home Based Caseload and FY 02 Base Correction - The legislature added \$1.9 million general fund (\$6.7 million total funds) for caseload growth in Medicaid personal assistance and home health of about 2 percent per year. The Medicaid home based services programs provide supports necessary to assist people to remain in their homes for as long as possible, maintain independence, and avoid unnecessary institutionalization. Caseload growth for Medicaid home based services programs has been increasing between 8 to 10 percent per year. The department will take steps to reduce services and contain caseload growth within the projected levels. Should expenditure projections exceed the appropriation, further reductions in provider reimbursement rates would become necessary.

DP 106 - NH Caseload Growth & Rate Increase - The legislature appropriated \$2.7 million general fund (\$12 million total funds) for the biennium for changes in the federal interpretation regarding the eligibility of veterans for Medicaid funded nursing facility services, anticipated caseload growth, and to correct a problem with the fiscal 2002 accrual that is reflected on the state budgeting system.

The legislature appropriated a 4.5 percent increase in reimbursement for nursing facility providers for fiscal 2003 that is not included in the fiscal 2002 base and assumed a slight decrease in caseload growth for fiscal 2003. Several changes proposed in Medicaid eligibility will have a large impact on the number of persons entering nursing homes by delaying when Medicaid will begin to pay for their care.

New Proposals										
Sub Program	Fiscal 2004					Fiscal 2005				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 102 - TBI Grant Spending Authority										
01	0.00	0	0	125,000	125,000	0.00	0	0	125,000	125,000
DP 104 - Nursing Hm FY 04-05 IGT Spending Authority										
01	0.00	0	1,784,252	4,794,848	6,579,100	0.00	0	2,786,116	7,319,491	10,105,607
DP 112 - HB 721 -Community Direct Care Worker Rate Increase										
01	0.00	0	43,870	117,892	161,762	0.00	0	94,571	248,449	343,020
DP 773 - Nursing Home IGT Offset General Fund										
01	0.00	(1,000,000)	1,000,000	0	0	0.00	(1,000,000)	1,000,000	0	0
DP 992 - Partial Offset - Medicaid Rate Reduction										
01	0.00	(873,056)	729,970	1,349,178	1,206,092	0.00	(926,715)	766,429	1,372,453	1,212,167
DP 993 - Home Health Therapy Services										
01	0.00	(34,000)	0	(91,369)	(125,369)	0.00	(34,000)	0	(89,322)	(123,322)
DP 995 - Hospice Program										
01	0.00	(174,466)	0	(468,845)	(643,311)	0.00	(193,048)	0	(507,162)	(700,210)
DP 996 - Change Medicaid Eligibility Standards										
01	0.00	(593,011)	0	(1,593,608)	(2,186,619)	0.00	(788,275)	0	(2,070,902)	(2,859,177)
DP 999 - FY 03 Lien and Estate Expenditures										
01	0.00	(162,990)	162,990	0	0	0.00	(162,180)	162,180	0	0
Total	0.00	(\$2,837,523)	\$3,721,082	\$4,233,096	\$5,116,655	0.00	(\$3,104,218)	\$4,809,296	\$6,398,007	\$8,103,085

New Proposals

DP 102 - TBI Grant Spending Authority - The legislature added \$250,000 federal funds over the biennium as requested by the executive, but did not approve funding for the 1.00 FTE. The funds will support a Traumatic Brain Injury implementation grant to improve access to health and other services for all individuals with brain injury and their families. The grant program is divided into two phases, providing two-year planning grants followed by separate two-year implementation grants. The SLTCD is in the second year of an assessment and planning grant awarded in April 2001. Federal officials have strongly encouraged Montana to submit an implementation grant request and there is a high probability that the request would be approved. In anticipation of a successful application, this proposal provides the federal spending authority necessary to begin work as soon as possible after the grants are awarded in April 2003.

DP 104 - Nursing Hm FY 04-05 IGT Spending Authority - The legislature approved \$4 million state special revenue (\$14 million total funds) over the biennium to increase intergovernmental transfer payments to county and non-county nursing facilities up to the federally allowable maximum during the 2005 biennium. The potential for an increase in funding generated through the Medicaid nursing home IGT program depends on several factors, including actions by the federal government to further restrict states' ability to use this funding mechanism and the level of future increases or decreases in Medicaid and Medicare nursing home reimbursement rates. Assuming the federal government will not enact further regulations affecting the use of IGTs, the SLTC is authorized to make expanded IGT payments to nursing facilities within the limits of the amount of this appropriation request.

The legislature also line itemed the entire IGT appropriation and included language in HB 2 specifying that IGT payments are considered one-time, lump sum payments to nursing homes, clearly indicating that such payments are not part of the ongoing rate structure.

DP 112 - HB 721-Community Direct Care Worker Rate Increase - The legislature approved \$504,782 total funds, including \$138,441 of state special revenue from HB 721 (water's edge corporation tax), for a community services direct care worker wage increase. The amount is sufficient for about 7 cents per hour in the first year of the biennium. The legislature also added language to HB 2 restricting the use of funds.

Direct care workers in other services (nursing homes and developmental disabilities) received rate increases in fiscal 2003, while direct care workers in home and community based services in the Senior and Long-Term Care Division did not. Rate increases in this division were withheld in order to mitigate potential general fund cost over runs.

DP 773 - Nursing Home IGT Offset General Fund - The legislature used \$1 million state special revenue from county funds to offset general fund Medicaid match for home based services. The legislature also added language to HB 2 requiring the Office of Budget and Program Planning to certify receipt of \$2 million in county funds annually prior to allowing expenditure of the one time payments to nursing homes that are funded through the intergovernmental transfer. The \$2 million figure covers both the use of county funds to pay a portion of the ongoing fiscal 2003 rate increase for nursing homes and to fund the \$1 million general fund offset in home based services.

DP 992 - Partial Offset - Medicaid Rate Reduction - The legislature accepted the executive recommendation to reduce \$1,799,771 general fund and \$4,780,783 in federal funds for the biennium to reduce Medicaid provider rates in Senior and Long Term Care Division by about 1.87 percent. However, the legislature appropriated funds to fully restore Medicaid nursing home rates by using \$1.3 million of county state special revenue from the intergovernmental transfer program in place of the general fund.

The legislature partially restored Medicaid rates for community services by appropriating state special revenue from HB 721 (water's edge corporation tax). The funding provided (\$865,183 total funds including \$299,559 state special revenue) will lower the rate reduction by about half to 0.9 percent.

DP 993 - Home Health Therapy Services - The legislature accepted the executive proposal to reduce \$68,000 general fund and \$180,691 of federal funds over the biennium for support of home-based therapy services. However, the legislature chose to continue physical therapy, occupational therapy, and speech therapy services by appropriating a like amount of state special revenue in SB 485 from the Prevention and Stabilization Fund

DP 995 - Hospice Program - The legislature accepted the executive request to reduce \$367,514 general fund and \$987,937 federal funds for the biennium, but did not accept the recommendation to eliminate the Medicaid Hospice program. Instead the legislature appropriated \$370,000 of state special revenue funds in SB 485 from the Prevention and Stabilization Fund to continue the services. In fiscal 2002, a total of 104 people received Medicaid funded hospice services.

Hospice is an optional Medicaid service, which federal law allows the state the choice to provide any of the Medicaid optional services. The legislature was concerned that a potential cost shift to other mandatory services, such as hospital or nursing home services, could significantly reduce anticipated savings if the hospice program were eliminated.

DP 996 - Change Medicaid Eligibility Standards - The legislature accepted the executive request to reduce \$1,381,286 general fund and \$3,664,510 federal funds for the biennium as a result of the Medicaid eligibility changes enacted to reduce 2003 biennium Medicaid costs. The four changes are: eliminate the real property for sale exclusion; change the treatment of income from contracts for deed; exclude the value of life estates when the life estate is being used to produce income; and limit the exclusion of home property under the intent to return rule.

Three division appropriations are affected by these changes, which are discussed in more detail in the agency overview. However, the most significant impact is to nursing home eligibility, where it is anticipated that these changes will delay persons' eligibility for services until they are able to sell property in excess of resource limits.

DP 999 - FY 03 Lien and Estate Expenditures - The legislature accepted the executive proposal to offset nursing home general fund Medicaid costs with a portion of the proceeds from Medicaid lien and estate recoveries that traditionally have been used to enhance nursing home and community services. General fund expenditures are reduced by \$325,170 for the biennium and state special revenue expenditures are increased by an equal amount. This reduction was included in the division 3.5 percent budget reduction plan to meet requirements of section 17-7-140, MCA.

Sub-Program Details

Veterans 02

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	113.70	9.00	1.40	124.10	9.00	1.40	124.10	124.10
Personal Services	3,089,264	1,128,513	54,858	4,272,635	1,154,915	54,896	4,299,075	8,571,710
Operating Expenses	2,426,454	452,890	250,000	3,129,344	481,830	250,000	3,158,284	6,287,628
Equipment	18,688	44,166	0	62,854	44,006	0	62,694	125,548
Debt Service	7,317	0	0	7,317	0	0	7,317	14,634
Total Costs	\$5,541,723	\$1,625,569	\$304,858	\$7,472,150	\$1,680,751	\$304,896	\$7,527,370	\$14,999,520
General Fund	1,260	(1,260)	0	0	(1,260)	0	0	0
State/Other Special	2,888,386	944,683	304,858	4,137,927	936,996	304,896	4,130,278	8,268,205
Federal Special	2,652,077	682,146	0	3,334,223	745,015	0	3,397,092	6,731,315
Total Funds	\$5,541,723	\$1,625,569	\$304,858	\$7,472,150	\$1,680,751	\$304,896	\$7,527,370	\$14,999,520

Veterans' services account for about 3 percent of the division base budget expenditures and rises to 4 percent in the 2005 biennium request. The program includes the two veterans' homes. The 2003 biennium appropriation increases are due primarily to present law adjustments for annualization of the cost of a new 15-bed special care unit that became operational during fiscal 2002 and other operating and equipment costs. One new proposal requests funding for 1.40 FTE to meeting increased service needs for the MVH.

The homes are funded with a combination of private payments, state special cigarette tax revenue, and federal funds from the Veterans' Administration. Veterans' services receive the greater of 8.3 percent or \$2.0 million of cigarette tax revenue (Section 16-11-119(1), MCA). In addition to appropriations for operating costs for the veterans' homes in HB 2, building projects funded in the Long-Range Building program are also supported from cigarette taxes allocated to veterans' services.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					886,340					907,901
Vacancy Savings					(159,035)					(159,882)
Inflation/Deflation					3,890					4,917
Fixed Costs					9,653					16,850
Total Statewide Present Law Adjustments					\$740,848	\$769,786				
DP 115 - EMVH Program Adjustments	0.00	0	57,000	226,607	283,607	0.00	0	57,000	247,323	304,323
DP 116 - EMVH Equipment	0.00	0	18,000	0	18,000	0.00	0	18,000	0	18,000
DP 119 - MVH Program Adjustments	9.00	0	556,948	0	556,948	9.00	0	562,636	0	562,636
DP 122 - MVH Equipment	0.00	0	26,166	0	26,166	0.00	0	26,006	0	26,006
Total Other Present Law Adjustments										
	9.00	\$0	\$658,114	\$226,607	\$884,721	9.00	\$0	\$663,642	\$247,323	\$910,965
Grand Total All Present Law Adjustments					\$1,625,569	\$1,680,751				

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 115 - EMVH Program Adjustments - The legislature approved \$587,930 (federal funds and state special revenue) to fund repair and maintenance costs and physician services provided through a sharing arrangement with the Veterans' Administration.

While the operation of EMVH is done through a contract with a private provider, the State of Montana owns the building and grounds and is responsible for repair and maintenance. While maintenance costs have been low during the first seven years of operation, they are now beginning to increase as the physical plant ages. This proposal adds \$15,000 per year in state special revenue from the portion of the cigarette tax earmarked for veterans' nursing homes to address the increasing repair and maintenance needs at EMVH and additional funds to cover the cost of physician services provided under a sharing agreement with the Veterans' Administration. Also included is the additional federal spending authority necessary to pay the contractor the projected increase in the Department of Veterans' Affairs per diem payments to EMVH residents to help offset the cost of their care.

DP 116 - EMVH Equipment - The legislature approved \$36,000 state special revenue for the biennium for equipment for the Eastern Montana Veterans' Home. The funding is from the portion of the cigarette tax earmarked for state veterans.

DP 119 - MVH Program Adjustments - The legislature added \$1,119,584 state special revenue, including funding for 9.00 FTE, for the biennium to adjust the base budget of the MVH for routine operational cost increases, restoring the base for overtime, holiday and differential pay, and annualization of the cost and the staffing of the new Special Care Unit. The funding comes from the portion of the state cigarette tax earmarked for veterans.

The Special Care Unit was approved by the 2001 legislature and became operational during fiscal 2002. Base budget expenditures and FTE levels reflect only partial year operating costs.

DP 122 - MVH Equipment - The legislature added \$52,172 state special revenue for the biennium for equipment at MVH with funding from the portion of the state cigarette tax that is earmarked for veterans.

New Proposals											
Sub Program	FTE	Fiscal 2004				Fiscal 2005				Federal Special	Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special		
DP 117 - MVH Staff											
02	1.40	0	54,858	0	54,858	1.40	0	54,896	0		54,896
DP 703 - Cigarette Tax-Montana Veterans' Homes											
02	0.00	0	250,000	0	250,000	0.00	0	250,000	0		250,000
Total	1.40	\$0	\$304,858	\$0	\$304,858	1.40	\$0	\$304,896	\$0		\$304,896

New Proposals

DP 117 - MVH Staff - The legislature added \$109,754 state special revenue and funding for 1.40 additional FTE at MVH for the biennium. The funding comes from the portion of the state cigarette tax earmarked for veterans.

DP 703 - Cigarette Tax-Montana Veterans' Homes - The legislature added a restricted appropriation of \$500,000 cigarette tax revenue over the biennium for the Montana veterans' homes. Language in HB 2 allows expenditure of the appropriation if other revenues are insufficient to operate the facilities at maximum capacity

Sub-Program Details

Aging 03

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	8.00	0.00	0.00	8.00	0.00	0.00	8.00	8.00
Personal Services	380,586	42,171	0	422,757	41,844	0	422,430	845,187
Operating Expenses	284,305	(2,300)	69,879	351,884	(4,608)	80,894	360,591	712,475
Grants	6,733,625	162,944	303,000	7,199,569	162,944	303,000	7,199,569	14,399,138
Benefits & Claims	824,000	29,367	68,808	922,175	64,794	91,368	980,162	1,902,337
Total Costs	\$8,222,516	\$232,182	\$441,687	\$8,896,385	\$264,974	\$475,262	\$8,962,752	\$17,859,137
General Fund	2,227,690	28,801	(181,238)	2,075,253	61,682	(155,912)	2,133,460	4,208,713
State/Other Special	0	0	62,925	62,925	0	71,174	71,174	134,099
Federal Special	5,994,826	203,381	560,000	6,758,207	203,292	560,000	6,758,118	13,516,325
Total Funds	\$8,222,516	\$232,182	\$441,687	\$8,896,385	\$264,974	\$475,262	\$8,962,752	\$17,859,137

Aging Services administers funding from the Older Americans Act, which supports contracts with Area Agencies on Aging to provide meals, transportation, public education, information and assistance, and other services to older Montanans.

The 2005 biennium appropriation for Aging Services increases by \$1.4 million total funds. General fund appropriations declines by about \$300,000 over the biennium compared to base budget expenditures due to reductions for community aging services and APS grants. Total funds rise due to increases in federal grants and changing the way federal grant funds are allocated.

Aging services is primarily funded with federal grant funds from the Older Americans Act and some federal Medicaid administrative matching funds. State special revenue is from Medicaid lien and estate recoveries and funds guardianship services for older adults at risk of abuse and neglect. General fund supports some of the required state match for federal funds and in recent biennia has funded provider rate increases since federal funds have been capped. Aging services comprise 5 percent of the total division budget in fiscal 2005 and 5 percent of the general fund request.

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				23,004					22,663
Vacancy Savings				(16,144)					(16,130)
Inflation/Deflation				(4,400)					(4,188)
Fixed Costs				4,380					4,380
Total Statewide Present Law Adjustments				\$6,840					\$6,725
DP 109 - State Supplement Caseload	0.00	27,087	0	27,087	0.00	59,994	0	0	59,994
DP 120 - Aging FY03 Wage Increase, Fed Spending Authority	0.00	0	0	198,255	0.00	0	0	198,255	198,255
Total Other Present Law Adjustments	0.00	\$27,087	\$0	\$198,255	0.00	\$59,994	\$0	\$198,255	\$258,249
Grand Total All Present Law Adjustments				\$232,182					\$264,974

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 109 - State Supplement Caseload - The legislature appropriated about \$87,000 general fund over the biennium for caseload growth for the biennium for the State Supplement caseload increase projected to occur in fiscal 2003 through fiscal 2005. In addition, the proposal funds an expected increase in the processing fee charged by the Social Security Administration.

DPHHS makes a monthly payment to supplement the federal Social Security room and board payment of people with disabilities who live in certain licensed facilities, primarily developmental disabilities group homes. This proposal assumes no caseload increases will occur in fiscal 2003.

During fiscal 2004 and fiscal 2005 the average annual caseload is expected to increase by 45 persons per year. The cost per month per recipient is \$94.00 in group homes and personal care facilities, \$52.75 in adult foster homes and \$26.00 per month in DD transitional living facilities. In addition, the department must pay the Social Security Administration \$8.50 per person per month to have the supplement added to the client's social security check in fiscal 2002. That amount is projected to increase to \$9.00 in fiscal 2003, to \$9.50 in fiscal 2004 and \$10.00 in fiscal 2005.

There is a federal maintenance of effort requirement for the State Supplement program. If caseloads increase beyond the appropriated levels no reduction in State Supplement is possible and further cuts in other SLTCD programs would be necessary.

DP 120 - Aging FY03 Wage Increase, Fed Spending Authority - The legislature approved the executive request for \$396,510 federal funds for the biennium for the Title III grant for the Family Caregiver and Ombudsman programs.

New Proposals										
Sub Program	FTE	Fiscal 2004				Fiscal 2005				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 102 - TBI Grant Spending Authority										
03	0.00	0	3,872	0	3,872	0.00	0	7,744	0	7,744
DP 114 - Aging/HCBS Conference Spending Authority										
03	0.00	0	59,053	0	59,053	0.00	0	63,430	0	63,430
DP 125 - Older Workers Program Grant										
03	0.00	0	0	560,000	560,000	0.00	0	0	560,000	560,000
DP 700 - State Supplement - Nursing Care Center/Eastmont										
03	0.00	75,762	0	0	75,762	0.00	101,088	0	0	101,088
DP 994 - Reduce General Fund - Aging Services										
03	0.00	(257,000)	0	0	(257,000)	0.00	(257,000)	0	0	(257,000)
Total	0.00	(\$181,238)	\$62,925	\$560,000	\$441,687	0.00	(\$155,912)	\$71,174	\$560,000	\$475,262

New Proposals

DP 102 - TBI Grant Spending Authority - The legislature added \$250,000 federal funds over the biennium as requested by the executive, but did not approve funding for the 1.00 FTE. The funds will support a Traumatic Brain Injury (TBI) implementation grant to improve access to health and other services for all individuals with brain injury and their families. The grant program is divided into two phases, providing two-year planning grants followed by separate two-year implementation grants. The SLTCD is in the second year of an assessment and planning grant awarded in April 2001. Federal officials have strongly encouraged Montana to submit an implementation grant request and there is a high probability that the request would be approved. In anticipation of a successful application, this proposal provides the federal spending authority necessary to begin work as soon as possible after the grants are awarded in April 2003.

DP 114 - Aging/HCBS Conference Spending Authority - The legislature added \$122,483 state special revenue for the biennium for the Governor's Conference on Aging and the Home and Community Services Conference. This appropriation authority will allow the division to spend the fees, registrations and donations necessary to put on these two conferences.

DP 125 - Older Workers Program Grant - The legislature added \$1.1 million federal funds for the biennium for the Older American Community Service Employment Program to comply with a change in the funding distribution method. Changes in funding streams at the national level require that federal funds for the Older American Community Service Employment Program, authorized under Title V of the Older Americans Act, as Amended in 2000, be allocated to a designated state agency instead of directly funded to the private program contractors in Montana. The designated state agency in Montana for Older American Act funds is DPHHS, Senior and Long Term Care Division, Aging Services Bureau. This is a federally required change in the distribution process for these funds, not an increase in the amount of money available in the state.

DP 700 - State Supplement - Nursing Care Center/Eastmont - The legislature accepted the executive proposal to downsize the Montana Mental Health Nursing Care Center and move 35 residents to community services. Part of the executive proposal includes paying the state social security supplemental payment for Medicaid eligible persons residing in the community. In addition, the legislature added about \$15,000 general fund contingent on passage and approval of HB 727 (change the mission of Eastmont) to pay costs for a 6 bed group home for Eastmont residents. There is also funding in the proposal for 20 new group home beds for developmentally disabled persons in fiscal 2004 and an additional 20 in fiscal 2005.

The monthly cost for one person in fiscal 2004 is \$94 plus the administrative fee of \$9.50, for a total of \$103.50 per person per month. The comparable costs in fiscal 2005 are \$94 plus \$10 administrative fee each month for \$104 per person per month.

DP 994 - Reduce General Fund - Aging Services - The legislature accepted the executive proposal to reduce \$257,000 general fund in each year of the biennium. The Aging Services program provides funding for a variety of services across Montana. The majority of the funds go to purchase meals for senior citizens, either delivered to their homes or at a meal site such as a senior citizen center. Assuming the budget reductions are made in the meals programs, about 67,000 fewer meals will be served each year.

Sub-Program Details

Division Administration 04

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	6.45	0.00	(0.50)	5.95	0.00	(0.50)	5.95	5.95
Personal Services	280,534	47,093	36,391	364,018	47,149	224,954	552,637	916,655
Operating Expenses	63,013	8,600	0	71,613	10,123	0	73,136	144,749
Total Costs	\$343,547	\$55,693	\$36,391	\$435,631	\$57,272	\$224,954	\$625,773	\$1,061,404
General Fund	136,867	22,191	6,878	165,936	22,820	50,046	209,733	375,669
State/Other Special	55,120	8,920	40,448	104,488	9,171	171,178	235,469	339,957
Federal Special	151,560	24,582	(10,935)	165,207	25,281	3,730	180,571	345,778
Total Funds	\$343,547	\$55,693	\$36,391	\$435,631	\$57,272	\$224,954	\$625,773	\$1,061,404

Division administration oversees administration and management of SLTC. Division administrative costs are less than 1 percent of the total biennial budget request and are cost allocated among functions it oversees. Statewide present law adjustments and the division allocation for the 2005 biennium pay plan are the increases over fiscal 2002 base budget costs, which are partially offset by a funding reduction for 0.5 administrative support FTE.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
Personal Services					60,744					60,802
Vacancy Savings					(13,651)					(13,653)
Inflation/Deflation					640					650
Fixed Costs					7,960					9,473
Total Statewide Present Law Adjustments					\$55,693					\$57,272
Grand Total All Present Law Adjustments					\$55,693					\$57,272

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

New Proposals										
-----Fiscal 2004-----						-----Fiscal 2005-----				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
DP 284 - FTE Reduction										
04	(0.50)	(6,295)	0	(15,435)	(21,730)		(0.50)	(6,295)	0	(21,675)
DP 6800 - HB 13 - Pay Plan										
04	0.00	13,173	40,448	4,500	58,121		0.00	56,341	171,178	246,629
Total	(0.50)	\$6,878	\$40,448	(\$10,935)	\$36,391		(0.50)	\$50,046	\$171,178	\$224,954

New Proposals

DP 284 - FTE Reduction - The legislature accepted the executive proposal to reduce 1.50 FTE for a saving of \$81,090 general fund and \$34,642 in federal funds for the biennium. 1.00 adult protective services FTE is filled and the reduction is reflected in the subprogram describing the Adult Protective Services function. The other 0.50 FTE was transferred to the MVH and is being held open, but is shown in the Division Administration function from which it was transferred.

DPHHS will identify another position for reduction.

DP 6800 - HB 13 - Pay Plan - The legislature approved a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

The allocation for the Senior and Long-Term Care Division to implement the pay plan is \$304,750 over the biennium, including \$58,121 general fund. The entire division allocation for pay plan funding is included in the Administration subprogram and will be apportioned to other subprograms within the division by DPHHS.

Sub-Program Details

APS 05

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	38.50	2.00	(1.00)	39.50	2.00	(1.00)	39.50	39.50
Personal Services	1,439,944	262,967	(36,213)	1,666,698	263,190	(36,114)	1,667,020	3,333,718
Operating Expenses	274,488	(7,014)	0	267,474	(5,138)	0	269,350	536,824
Equipment	8,166	0	0	8,166	0	0	8,166	16,332
Grants	0	0	(50,000)	(50,000)	0	(50,000)	(50,000)	(100,000)
Benefits & Claims	119,701	0	0	119,701	0	0	119,701	239,402
Debt Service	10,409	0	0	10,409	0	0	10,409	20,818
Total Costs	\$1,852,708	\$255,953	(\$86,213)	\$2,022,448	\$258,052	(\$86,114)	\$2,024,646	\$4,047,094
General Fund	1,341,916	177,864	(84,250)	1,435,530	180,110	(84,250)	1,437,776	2,873,306
State/Other Special	150,079	71,821	0	221,900	71,593	0	221,672	443,572
Federal Special	360,713	6,268	(1,963)	365,018	6,349	(1,864)	365,198	730,216
Total Funds	\$1,852,708	\$255,953	(\$86,213)	\$2,022,448	\$258,052	(\$86,114)	\$2,024,646	\$4,047,094

The protective services function includes investigation of allegations of abuse and neglect for adults age 60 or older and disabled individuals age 18 or older. When allegations are substantiated, adult protective services workers assist victims of abuse and neglect to access services.

The 2005 biennium appropriation increases about \$340,000 total funds, including \$180,000 general fund, compared to base budget expenditures. The increases are due primarily to the addition of 2.0 adult protective services FTE in fiscal 2003 approved by the 2001 legislature and statewide present law adjustments. Increases are partially offset by legislative acceptance of the executive recommendation to reduce protective services benefits by \$50,000 general fund each year and to reduce funding for 1.0 administrative support FTE.

The adult protective services function is funded predominately from the general fund. State special revenue includes Medicaid lien and estate recoveries. The protective services function is 1 percent of the total division request, but the general fund request is 3 percent of the total general fund request.

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				259,110					259,578
Vacancy Savings				(67,964)					(67,981)
Inflation/Deflation				514					2,390
Fixed Costs				(7,528)					(7,528)
Total Statewide Present Law Adjustments				\$184,132					\$186,459
DP 99 - APS Lien and Estate PLA Annualization									
2.00	0	71,821	0	71,821	2.00	0	71,593	0	71,593
Total Other Present Law Adjustments									
2.00	\$0	\$71,821	\$0	\$71,821	2.00	\$0	\$71,593	\$0	\$71,593
Grand Total All Present Law Adjustments				\$255,953					\$258,052

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 99 - APS Lien and Estate PLA Annualization - The legislature approved funding for 2.00 FTE for adult protective services and \$143,414 in state special revenue funds over the biennium. The state special revenue is from lien and estate recoveries from Medicaid eligible persons who received Medicaid services. Funding for these FTE in fiscal 2003 was approved by the 2001 legislature. The positions were left vacant as part of the general fund spending reductions implemented for Section 17-7-140, MCA.

New Proposals										
Sub Program	FTE	Fiscal 2004				Fiscal 2005				Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 284 - FTE Reduction										
05	(1.00)	(34,250)	0	(1,963)	(36,213)	(1.00)	(34,250)	0	(1,864)	(36,114)
DP 998 - Reduce APS Abuse Prevention Grants										
05	0.00	(50,000)	0	0	(50,000)	0.00	(50,000)	0	0	(50,000)
Total	(1.00)	(\$84,250)	\$0	(\$1,963)	(\$86,213)	(1.00)	(\$84,250)	\$0	(\$1,864)	(\$86,114)

New Proposals

DP 284 - FTE Reduction - The legislature accepted the executive proposal to reduce 1.50 FTE for a saving of \$81,090 general fund and \$34,642 in federal funds for the biennium. 1.00 adult protective services FTE is filled and the reduction is reflected in the subprogram describing the Adult Protective Services function. The other 0.50 FTE was transferred to the MVH and is being held open, but is shown in the Division Administration function from which it was transferred. DPHHS will identify another position for reduction.

DP 998 - Reduce APS Abuse Prevention Grants - The legislature accepted the executive recommendation to reduce \$50,000 general fund each year for adult protective services (APS) abuse prevention grants. There is \$50,000 general fund remaining each year after the reduction. APS purchases a variety of services from local agencies and individuals to help prevent or alleviate the abuse, neglect or exploitation of the elderly and disabled. During the base budget year, about \$50,000 of the amount expended for APS services was spent in the final two weeks of the state fiscal year for a special project to develop prevention programs.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	586.41	(19.56)	2.90	569.75	(19.56)	2.90	569.75	569.75
Personal Services	20,778,870	4,494,880	288,794	25,562,544	4,660,921	730,318	26,170,109	51,732,653
Operating Expenses	10,165,225	(1,190,154)	256,197	9,231,268	(836,900)	230,599	9,558,924	18,790,192
Equipment	23,990	11,751	0	35,741	11,751	0	35,741	71,482
Local Assistance	0	0	0	0	0	0	0	0
Grants	5,427,532	624,037	800,000	6,851,569	624,037	0	6,051,569	12,903,138
Benefits & Claims	90,113,744	(51,771,668)	(387,046)	37,955,030	(48,811,161)	(427,541)	40,875,042	78,830,072
Transfers	0	0	0	0	0	0	0	0
Debt Service	44,502	0	0	44,502	0	0	44,502	89,004
Total Costs	\$126,553,863	(\$47,831,154)	\$957,945	\$79,680,654	(\$44,351,352)	\$533,376	\$82,735,887	\$162,416,541
General Fund	50,224,453	(11,288,046)	(132,165)	38,804,242	(10,315,600)	274,531	40,183,384	78,987,626
State/Other Special	5,027,791	(756,682)	454,967	4,726,076	(685,077)	480,690	4,823,404	9,549,480
Federal Special	71,301,619	(35,786,426)	635,143	36,150,336	(33,350,675)	(221,845)	37,729,099	73,879,435
NonExpendable Trust	0	0	0	0	0	0	0	0
Total Funds	\$126,553,863	(\$47,831,154)	\$957,945	\$79,680,654	(\$44,351,352)	\$533,376	\$82,735,887	\$162,416,541

Program Description

The Addictive and Mental Disorders Division (AMDD) is responsible for providing alcohol and drug prevention, treatment and aftercare services, and mental health treatment services for adults. Alcohol and drug services are provided through inpatient and outpatient settings. Direct inpatient services are provided at the 76-bed Montana Chemical Dependency Center (MCDC) in Butte. Other inpatient, outpatient, and prevention services are provided through contracts with community-based programs around the state.

Community-based mental health services are delivered to eligible Medicaid and non-Medicaid individuals through a network of providers around the state. Non-Medicaid services are delivered through the Mental Health Services Plan (MHSP) and provide services to individuals earning up to 150 percent of the federal poverty level. Montana State Hospital (MSH) at Warm Springs (licensed capacity of 189 beds) and the Montana Mental Health Nursing Care Center (MMHNCC) at Lewistown (licensed capacity of 165 beds) provide institutional services to individuals with mental illness. The services at MSH are typically of a short duration while services for residents at the MMHNCC are considered to be long term.

Program Narrative

Addictive and Mental Disorders Division	
Major Budget Highlights	
○	Transfer of appropriations and management of children's mental health services to a new division – Child and Adult Health Care Resources
○	HB 2 funding reduction in state Mental Health Services Plan (MHSP) for adults - \$16 million general fund over the biennium
○	Approval of SB 485 appropriation of \$6.5 million in state special revenue and in HB 2 a Medicaid access payment of \$7 million to partially offset reduction
○	Funding Montana State Hospital capacity at 175, which is 40 more than the original executive proposal
○	Developing 1 new 15 bed Behavioral Inpatient Health Facility (BHIF) instead of 3 as originally proposed by executive
○	Capping Mental Health Nursing Care Center population at 75

(reduction of 35 beds from current 105 population) and contracting for community services for those residents

- Funding reductions for 16.66 FTE, primarily from downsizing the nursing care center
- Reduction in Medicaid provider rates in HB 2 appropriations, partially offset through appropriations included in SB 485
- Expansion of mental health Medicaid intergovernmental transfer (IGT)
- Denial of executive request to shift \$2 million in state special alcohol tax revenue formerly distributed to county chemical dependency programs to match mental health Medicaid benefits
- Potential shortfall in alcohol tax revenue to fully fund legislative appropriations

The most significant appropriation and policy issues considered by the legislature with respect to this division are:

- Direction to the department to propose improvements to administration of children's mental health services and accepting the proposal to transfer children's mental health services to a new division, as well as funding an additional 2.00 FTE and a 1 percent provider increase above the executive proposal
- Acceptance of the executive recommendation to reduce general fund expenditures for the MHSP program by \$16 million general fund
- Funding to continue the pharmacy benefit for MSHP in SB 485, which appropriated \$6.5 million state special revenue over the biennium from the Prevention and Stabilization Fund
- Acceptance of a revised executive proposal to administer adult mental health services, including funding for 8.00 FTE above the Executive Budget request for the state hospital and funding sufficient to maintain an average daily population of 175 at the state hospital instead of 135 as proposed by the executive
- Rejection of the executive proposal to offset \$2 million general fund for mental health Medicaid matching funds by using \$2 million in alcohol tax revenue that historically transferred to local chemical dependency programs
- Passage of HB 180 that creates two new statutory appropriations from the alcohol tax allocated to DPHHS: 20 percent for distribution to local state approved programs and 6.6 percent for support of programs that support persons who are chemically dependent and have a mental illness

The following figure shows the AMDD base budget and legislative appropriation for the 2005 biennium, detailing expenditures and funding by major function, institution, grants, and benefits. The table also adjusts base budget expenditures and funding for the transfer of children's mental health services so that a meaningful comparison can be made.

Addictive and Mental Disorders Division Base Expenditures and 2003 Biennium Appropriation														
Budget Component Function/Benefit	Fiscal 2002 Base Budget				Fiscal 2004 Legislative Appropriation				Fiscal 2005 Legislative Appropriation				Percent	
	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	of Total	
Total Division														
Division Admin.	\$553,854	\$26,048	\$296,520	\$876,422	\$748,421	\$32,206	\$469,765	\$1,250,392	\$1,169,051	\$39,972	\$440,772	\$1,649,795	2%	
Mental Health*	49,670,583	2,564,870	64,368,881	116,604,334	38,055,821	1,380,955	26,452,024	65,888,800	39,014,333	1,405,379	28,058,448	68,478,160	83%	
Transfer Child Men Hlth	(10,818,914)	(1,654,209)	(44,435,684)	(56,908,807)	-	-	-	-	-	-	-	-	n/a	
Addiction Services	16	2,436,873	6,636,218	9,073,107	-	3,312,915	9,228,547	12,541,462	-	3,378,053	9,229,879	12,607,932	15%	
Total Division	\$39,405,539	\$3,373,582	\$26,865,935	\$69,645,056	\$38,804,242	\$4,726,076	\$36,150,336	\$79,680,654	\$40,183,384	\$4,823,404	\$37,729,099	\$82,735,887	100%	
Percent of Total	57%	5%	38%	100%	49%	6%	45%	100%	49%	6%	45%	100%		
Compounded Annual Rate of Change from Base					-1%	18%	16%	7%	1%	13%	12%	6%		
State Institution Costs														
State Hospital	\$16,531,536	\$75,000	\$0	\$16,606,536	\$21,072,431	\$414,304	\$0	\$21,486,735	\$21,364,350	\$431,960	\$0	\$21,796,310	26%	
Nursing Care Center	6,675,173	-	-	6,675,173	6,169,544	-	-	6,169,544	6,279,638	-	-	6,279,638	8%	
Chemical Dependency Cnt	-	1,966,013	599,617	2,565,630	0	2,476,355	649,525	3,125,880	0	2,321,567	869,454	3,191,021	4%	
Subtotal Institutions	\$23,206,709	\$2,041,013	\$599,617	\$25,847,339	\$27,241,975	\$2,890,659	\$649,525	\$30,782,159	\$27,643,988	\$2,753,527	\$869,454	\$31,266,969	38%	
Percent of Total Division	59%	60%	2%	37%	70%	61%	2%	39%	69%	57%	2%	38%		
Compounded Annual Rate of Change from Base					8%	19%		9%	6%	10%		7%		
Grants														
<i>Mental Health Services</i>														
Community Grants	\$266,148	\$0	\$0	\$266,148	\$266,148	\$0	\$0	\$266,148	\$266,148	\$0	\$0	\$266,148	0%	
PATH/Homeless Svcs	95,752	-	287,256	383,008	100,000	-	300,000	400,000	100,000	-	300,000	400,000	0%	
<i>Addiction Services</i>														
Community Services	-	-	4,818,376	4,818,376	-	-	5,425,421	5,425,421	-	-	5,425,421	5,425,421	7%	
Local Needs Assmt.	-	-	(40,000)	(40,000)	-	-	760,000	760,000	-	-	(40,000)	(40,000)	0%	
Subtotal Grants	\$361,900	\$0	\$5,065,632	\$5,427,532	\$366,148	\$0	\$6,485,421	\$6,851,569	\$366,148	\$0	\$5,685,421	\$6,051,569	7%	
Percent of Total Division	1%	0%	19%	8%	1%	0%	18%	9%	1%	0%	15%	7%		
Compounded Annual Rate of Change from Base					1%	n/a	13%	12%	0%	n/a	4%	4%		
Benefits/Services														
<i>Medicaid</i>														
Mental Health*	\$13,566,389	\$2,255,051	\$60,435,656	\$76,257,096	\$5,262,426	\$733,145	\$19,443,394	\$25,438,965	\$5,946,249	\$739,913	\$21,084,984	\$27,771,146	34%	
Transfer Child Men Hlth	(9,453,303)	(1,654,209)	(43,540,867)	(54,648,379)	-	-	-	-	-	-	-	-		
Addiction Services	-	242,788	651,651	894,439	-	649,525	1,750,475	2,400,000	-	869,454	2,330,546	3,200,000	4%	
Mental Health Svcs Plan*	11,385,023	234,819	1,341,975	12,961,817	3,333,855	-	3,322,443	6,656,298	3,182,621	-	3,262,258	6,444,879	8%	
Community Contracts	-	-	-	-	606,301	-	1,679,324	2,285,625	616,362	-	1,669,263	2,285,625	3%	
Behavioral Health Inpat.	-	-	-	-	739,060	233,506	201,184	1,173,750	740,302	233,506	199,192	1,173,000	1%	
Transfer Child Men Hlth	(671,928)	-	-	(671,928)	-	-	-	-	-	-	-	-		
Adjustment	-	-	392	392	-	-	392	392	-	-	392	392	0%	
Subtotal Benefits	\$14,826,181	\$1,078,449	\$18,888,807	\$34,793,437	\$9,941,642	\$1,616,176	\$26,397,212	\$37,955,030	\$10,485,534	\$1,842,873	\$28,546,635	\$40,875,042	50%	
Percent of Total Division	38%	32%	70%	50%	26%	34%	73%	48%	26%	38%	76%	49%		
Compounded Annual Rate of Change from Base					-18%	22%	18%	4%	-11%	20%	15%	6%		
*This table makes adjustments for the transfer of children's mental health services to the Child and Adult Health Care Resources Division in order to make comparisons among fiscal years more meaningful.														

Mental health is the largest function administered by the division, accounting for 83 percent of the total division appropriation in fiscal 2005. Addiction services comprises 15 percent of the fiscal 2005 division appropriation.

The annual 2005 biennium appropriation rises between 6 to 7 percent annually compared to the base budget. General fund remains about constant. The majority of the increase is in federal funds, which rise about \$11 million from the fiscal 2002 base budget to the fiscal 2005 appropriation.

Appropriations for the three state institutions administered by AMDD are 38 percent of the total division appropriation, with the state hospital appropriation accounting for 70 percent of the amount appropriated for all institutions. Institution appropriations are between 69 and 70 percent of the total general fund appropriation for the division, while the alcohol tax state special revenue appropriated to support MCDC is more than half of the total division state special revenue appropriation.

Appropriations for grants comprise 7.3 percent of the division fiscal 2005 appropriation. Grants to state approved chemical dependency programs for community services are the most significant. Two small mental health grants fund local providers for emergency telephone services and services for homeless mentally ill people. The federal grant for local chemical dependency needs assessment will be fully expended in fiscal 2004 and includes a negative adjustment in the base budget and fiscal 2005 appropriation.

About half of the fiscal 2005 division appropriation supports benefits and services - primarily mental health benefits and mainly Medicaid funded services. While appropriations for services are higher than appropriations for state institutions, the general fund component of services appropriations is a much smaller percentage of the total division general fund appropriation - 69 percent for institutions and 26 percent for community services in fiscal 2005. The significant federal Medicaid match (about 78 percent during the 2005 biennium) accounts for the larger total appropriation, but smaller general fund appropriation, for services compared to institutions.

Addiction Medicaid services were initiated late in the 2001 biennium. The 2005 biennium appropriation anticipates continuing growth in those services.

The HB 2 appropriation for MHSP declines almost 50 percent because the legislative accepted the executive proposal to reduce general fund spending by \$16 million over the 2005 biennium. However, the legislature chose to continue a portion of those services by appropriating \$6.5 million in state special revenue from the Prevention and Stabilization Fund.

Mental Health Services

The legislature implemented significant changes in the mental health budget, some at the request of the executive and some by legislative initiative. Legislative initiatives are:

- Transfer of children's mental health services
- Increase in funding for 2.00 FTE for children's mental health services
- Fiscal 2004 provider rate increase of 1 percent for children's therapeutic mental health services
- Approval of SB 485 to appropriate \$6.5 million state special revenue over the biennium to partially mitigate the executive proposal to reduce MHSP

Passage of several bills recommended by the Legislative Finance Committee as a result of the HJR1 2003 interim study:

- SB 55, which revised community commitment law criteria to specify that an involuntary commitment to community services could be longer than an involuntary commitment to the state hospital if the person had been treated at the state hospital previously
- SB 56, which limits the period of confinement at the state hospital for persons found not guilty by reason of mental illness to a time period no greater than the sentence they would have received if they had been guilty
- SB 57, which establishes a definition of mental disease or defect in Montana statute since absent such a definition the Montana Supreme Court had used a definition from New York in cases before it
- HB 180 discussed previously, which directs that 6.6 percent of the alcohol tax allocated to DPHHS is appropriated for services for persons who are chemically dependent and mentally ill

Mental health budget changes by executive initiative and adopted by the legislature:

- Approval of 1 behavioral health inpatient 15-bed facility instead of 3 as originally proposed
- Funding for 8.00 new FTE and increased operating costs for the state hospital to fund it at a 175 average daily population instead of 135 as originally proposed

Approval of \$5 million in federal Medicaid matching funds for a mental health access payment

Mental Health Services Plan

MSHP is a program that provides community services, including prescription drugs, to low-income adults with a serious and disabling mental illness who are not eligible for Medicaid. Enrollment in the program is limited by the appropriation amount and statute allows DPHHS to manage clinical and financial eligibility criteria within an upper limit of 160 percent of the federal poverty level.

The initial executive proposal reduced funding for MHSP from \$13.6 million per year to \$4.5 million, assuming that DPHHS would be able to draw down the \$1.2 million federal mental health block grant despite a state funding level that would be lower than the federally required maintenance of effort required to receive the grant.

Through out the 2003 session, legislators struggled to find ways to continue the MHSP program, funding it at various levels above the executive request. The final legislative action embodied in SB 485 continues \$6.5 million in state funds over the biennium for MHSP services and prescription drugs. The legislative appropriation was established so that persons eligible for MHSP could receive up to \$650 monthly in prescriptions, recognizing that while the cost of some medications needed to stabilize a mental illness are very expensive, the average cost of a three day stay in the state hospital exceeds the monthly target cap.

Prior to the legislative session, DPHHS changed administrative rules and limited enrollment in MHSP, limited provider participation, and capped monthly prescription benefits at \$250 to mitigate projected general fund cost over runs. DPHHS has authority delegated in 53-21-702(3), MCA to establish the amount, scope and duration of services for MHSP. Therefore, it may follow legislative appropriation intent with regard to monthly prescription costs, but is not bound to do so by statute.

While the specific MHSP program appropriation was reduced, the overall appropriation for community services for mentally ill adults not eligible for Medicaid was mitigated by legislative initiative compared to the executive recommendation. The legislature approved the appropriations as shown in the following figure:

- SB 485
- Behavioral inpatient facilities, which also serve Medicaid eligible persons
- Federal mental health block grant, assuming that the state will continue to receive the grant even if it cannot maintain state expenditures at the required maintenance of effort

Total Appropriations That Support Services for Mentally Ill Adults Ineligible for Medicaid													
Budget Component	Fiscal 2002 Base Budget				Fiscal 2004 Legislative Appropriation				Fiscal 2005 Legislative Appropriation				Percent
Function/Benefit	Genrl Fund	SSR	Federal	Total	Genrl Fund	SSR	Federal	Total	Genrl Fund	SSR	Federal	Total	of Total
Mental Health Svcs Plan	\$ 11,385,023	\$ 234,819	\$ 1,341,975	\$12,961,817	\$ 3,333,855	\$ -	\$ 3,322,443	\$ 6,656,298	\$ 3,182,621	\$ -	\$ 3,262,258	\$ 6,444,879	61%
SB 485	-	-	-	-	-	3,250,000	-	3,250,000	-	3,250,000	-	3,250,000	31%
Behavioral Health Inpat.*	-	-	-	-	664,196	233,506	-	897,702	665,879	233,506	-	899,385	8%
Transfer Child Men Hlth	(671,928)	-	-	(671,928)	-	-	-	-	-	-	-	-	
Total	\$ 10,713,095	\$ 234,819	\$ 1,341,975	\$12,289,889	\$ 3,998,051	\$ 3,483,506	\$ 3,322,443	\$ 10,804,000	\$ 3,848,500	\$ 3,483,506	\$ 3,262,258	\$ 10,594,264	
Percent Change from Base Expenditures					-63%	1383%	148%	-12%	-64%	1383%	143%	-14%	
Annual Change from Base Expenditures					(\$6,715,044)	\$3,248,687	\$1,980,468	(\$1,485,889)	(\$6,864,595)	\$3,248,687	\$1,920,283	(\$1,695,625)	
Biennial Change From Base Expenditures									(\$13,579,639)	\$6,497,374	\$3,900,751	(\$3,181,514)	

Considering total legislative action, the reduction to MHSP services is 12 to 14 percent lower than base budget expenditures, but 34 percent higher than the original executive recommendation. Base budget expenditures are \$12.3 million compared to the fiscal 2005 appropriation of \$10.6 million.

Downsizing Nursing Care Center

The legislature accepted the executive proposal to downsize the MMHNCC in Lewistown from 105 to 70 residents. AMDD will contract for community services (\$4.6 million over the biennium) to serve 35 individuals in community settings. These individuals are Medicaid eligible in the community, but not when they are residents in an institution for mental disease. The overall general fund cost to serve the individuals is not substantially less than if they remained in the nursing care center. However, moving individuals to the community complies with the U.S. Supreme Court Olmstead decision, which requires states to serve individuals in the most integrated, least restrictive setting possible. While the court held that community services are not an entitlement and that the availability of state funding can be considered in determining whether states are complying with the Olmstead decision, states must have a plan that effectively and efficiently moves persons to community settings.

Program Reorganization

The Addictive and Mental Disorders Division (AMDD) appropriation is \$81 million lower in the 2005 biennium compared to the fiscal 2002 base budget. This reduction is due to legislative restructuring of appropriations to reflect a reorganization planned by DPHHS beginning in fiscal 2004, which moves administration of children's mental health services to a new division - Child and Adult Health Care Resources. This reorganization masks appropriation increases in the remaining functions and programs administered by AMDD.

The legislature directed DPHHS to provide options for improved management of children's mental health services and accepted the DPHHS recommendation to combine children's mental health services with CHIP and primary care Medicaid services in the new division. The AMDD fiscal 2002 base budget expenditures would be \$57 million total funds, including \$11 million general fund, lower than shown in the main program table if the transfer of children's mental health services were included.

Children's Mental Health Reorganization

Comparing the AMDD 2005 biennium appropriations to the revised fiscal 2005 base budget shows that the fiscal 2004 appropriation is 14 percent higher than the base budget and the fiscal 2005 appropriation is 19 percent higher. The fiscal 2004 general fund appropriation is 2 percent lower than base budget funding and the fiscal 2005 general fund appropriation is about 2 percent higher.

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium.

Program Funding Table						
Addictive & Mental Disorders						
<u>Program Funding</u>	<u>Base</u>	<u>% of Base</u>	<u>Budget</u>	<u>% of Budget</u>	<u>Budget</u>	<u>% of Budget</u>
	<u>Fiscal 2002</u>	<u>Fiscal 2002</u>	<u>Fiscal 2004</u>	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>	<u>Fiscal 2005</u>
01100 General Fund	\$ 50,224,453	39.7%	\$ 38,804,242	48.7%	\$ 40,183,384	48.6%
02034 Earmarked Alcohol Funds	2,745,379	2.2%	3,623,654	4.5%	3,696,095	4.5%
02053 Medicaid Nursing Home Match	2,106,155	1.7%	705,486	0.9%	712,254	0.9%
02384 02 Indirect Activity Prog 33	26,048	0.0%	29,973	0.0%	30,436	0.0%
02691 6901-Msh/Doc Maint Agreement	-	-	339,304	0.4%	356,960	0.4%
02987 Tobacco Interest (Real Fund)	150,209	0.1%	27,659	0.0%	27,659	0.0%
03197 Msh Mh Medicaid Reimb	3,180,119	2.5%	-	-	-	-
03366 Csat Demand & Needs Assessment	32,025	0.0%	-	-	-	-
03426 Child Health Insurance	706,848	0.6%	-	-	-	-
03500 Adad - Needs Asm Study	-	-	946,415	1.2%	103,585	0.1%
03505 93.150 - Mntal Hlth - Homeless	287,256	0.2%	300,000	0.4%	300,000	0.4%
03507 93.958 - Mntal Hlth - Blk Grt	1,250,525	1.0%	1,300,525	1.6%	1,300,525	1.6%
03508 93.959 - Adad - Blk Grt 100%	5,918,710	4.7%	6,611,182	8.3%	6,833,066	8.3%
03580 93.778 - Med Adm 50%	1,732,962	1.4%	3,647,150	4.6%	3,632,150	4.4%
03583 93.778 - Med Ben Fmap	57,907,188	45.8%	23,024,377	28.9%	25,233,985	30.5%
03601 03 Indirect Activity Prog 33	285,986	0.2%	320,687	0.4%	325,788	0.4%
Grand Total	\$ 126,553,863	100.0%	\$ 79,680,654	100.0%	\$ 82,735,887	100.0%

AMDD is funded primarily by general fund - about 49 percent over the 2005 biennium compared to 40 percent of fiscal 2002 base budget funding to 49 percent of the appropriation. General fund comprises a bigger share of the total budget primarily due to transfer of children's mental health services and increases in institution budgets. As noted earlier, the fiscal 2002 base budget for AMDD is about \$57 million total funds (\$11 million general fund) lower if it is adjusted to reflect the children's mental health services transfer. General fund supports the cost of the two state mental health institutions, state match for mental health Medicaid benefits and the federal PATH homeless services grant, and a portion of the cost for MHSP.

State special revenue increases from 4 percent of fiscal 2002 costs to 11 percent of the biennium appropriation. The most significant state special revenue source is alcohol tax, which supports nearly 5 percent of the 2005 biennium appropriation. DPHHS receives a share of alcohol tax revenue, which funds Medicaid match, the Montana Chemical Dependency Center (MCDC), and payments to local chemical dependency programs. County funds support the non federal share of Medicaid matching funds for a Medicaid intergovernmental transfer (IGT) and offset about \$0.3 million in general fund mental health Medicaid matching costs. A small amount of the interest income from the constitutional tobacco settlement trust fund provides state matching funds for Medicaid mental health services. The legislature approved a new state special revenue appropriation to support Department of Corrections payments to DPHHS for maintenance and utility costs at the Xanthopolous building.

Appropriations Exceed Alcohol Tax Revenues

Appropriations from the alcohol tax allocated to DPHHS exceed the revenues available from the tax by \$1.2 million over the 2005 biennium. However, the shortfall may be less or may not occur depending on expenditure patterns in several areas.

Earmarked Alcohol Tax Revenue and Expenditures					
Fiscal 2002 Actuals Through Fiscal 2005 Budget Request					
Revenue/Expenditures	Actual	Estimated	Executive Budget		Percent
Fund Balance	Fiscal 2002	Fiscal 2003	Fiscal 2004*	Fiscal 2005*	of Total
Beginning Balance	\$369	\$34,277	\$0	(\$436,753)	
Revenues					
Liquor License	\$3,248,958	\$3,365,000	\$3,496,000	\$3,628,000	69.0%
Beer Tax	854,530	896,000	939,000	984,000	18.7%
Wine Tax	562,559	578,000	586,000	595,000	11.3%
Cost Recovery for MCDC	<u>37,985</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	1.0%
Total Revenue	\$4,704,032	\$4,889,000	\$5,071,000	\$5,257,000	100%
Annual Percent Change		4%	4%	4%	
Total Funds Available	<u>\$4,704,401</u>	<u>\$4,923,277</u>	<u>\$5,071,000</u>	<u>\$4,820,247</u>	
Disbursements					
Chemical Dependency Cntr	\$1,966,013	\$2,024,993	\$2,476,355	\$2,321,567	41.2%
CD Medicaid Services/Admin.	242,788	242,788	649,525	869,454	15.4%
Distribution to Counties - HB 180	1,348,803	730,000	1,014,200	1,051,400	18.7%
Services for Dually Diagnosed - HB 180	-	-	334,686	346,962	6.2%
Mental Health Medicaid	-	830,892	-	-	0.0%
Justice - Equipment	303,204	303,205	303,204	303,204	5.4%
Mental Health Services Plan	233,506	233,506	-	-	0.0%
Behavioral Health Facilities	-	-	233,506	233,506	4.1%
CD Operations	228,612	290,515	187,035	187,032	3.3%
Cost Allocated Admin.	76,381	78,672	80,905	90,441	1.6%
Montana State Hospital	75,000	75,000	75,000	75,000	1.3%
Quality Assrnce. - Licensure	57,834	60,485	58,204	58,204	1.0%
Pine Hills	25,523	25,523	25,523	25,523	0.5%
Labor - POL Board	<u>24,592</u>	<u>27,697</u>	<u>69,610</u>	<u>69,610</u>	1.2%
Total Disbursements	<u>\$4,582,256</u>	<u>\$4,923,277</u>	<u>\$5,507,753</u>	<u>\$5,631,903</u>	100%
Adjustments	\$ (87,868)	\$ -	\$ -	\$ -	
Ending Fund Balance	\$ 34,277	\$ 0	\$ (436,753)	\$ (811,657)	
Percent Appropriations Over Revenues			-9%	-17%	
*Estimated revenues are based on revenue estimates adopted by the legislature and fiscal 2003 costs are based on the legislative appropriation. 2005 biennium costs reflect legislative appropriations including the statutory appropriations established in HB 180.					

The legislature passed HB 180, which statutorily appropriates a portion of the alcohol tax to DPHHS - 20 percent to state approved programs and 6.6 percent to services for dual diagnosed individuals, would have priority over HB 2 appropriations. So reductions in expenditures would have to come in HB 2 services.

It may be possible that the statutory appropriation for dual diagnosis services could fund a portion or all of the HB 2 appropriations to support the state hospital and behavioral inpatient facilities, since those facilities will serve mentally ill adults, some of whom may have chemical dependency problems. If so, that would lessen the shortfall by nearly half (\$617,012 offset to the shortfall). The assumptions regarding growth in chemical dependency Medicaid services may be overly ambitious as well, but not sufficiently so to offset the remaining reduction.

Base budget state special revenue funding includes \$2 million in county funds from the nursing home Medicaid intergovernmental transfer program that were appropriated by the 2001 legislature to offset general fund Medicaid match for mental health services. The 2003 legislature transferred the county nursing home funds to the Senior and Long-Term Care Division and increased general fund appropriations for mental health services by a like amount to ensure that mental health services were not reduced as a result.

Federal funds support Medicaid payments for mental health and chemical dependency services and several federal block

grants for chemical dependency and mental health. Medicaid is by and large the most significant federal funding source, accounting for \$58 million of the appropriation over the biennium, or 31 percent of the total program appropriation.

Fiscal 2002 base budget funding includes \$3 million of federal Medicaid reimbursement for services provided by the nursing care center (primarily) and state hospital. The legislature passed HB 121, which requires Medicaid reimbursement to be deposited to the general fund as is done for other state institutions managed by DPHHS. The legislature reduced federal Medicaid reimbursements and increased general fund by a like amount and revised the revenue estimates to account for the added general fund revenue.

Biennial Comparison

2003 Biennium Compared to 2005 Biennium							
Addictive and Mental Disorders Division							
Budget Item/Fund	2003 Biennium	Adjustment Transfer Children's MH	Revised AMDD 2003 Biennium	2005 Biennium	Percent of Total	Change	Percent of Change
FTE	586.41	(3.00)	583.41	569.75		(16.66)	
Personal Services	\$ 44,305,690	\$ (250,528)	\$ 44,055,162	\$ 51,732,653	32%	\$ 7,677,491	62%
Operating	20,695,242	(2,926,472)	17,768,770	18,790,192	11%	1,021,422	8%
Equipment	205,407	0	205,407	71,482	0%	(133,925)	-1%
Grants	11,407,501	0	11,407,501	12,903,138	8%	1,495,637	12%
Benefits & Claims	187,061,589	(110,640,614)	76,420,975	78,830,072	49%	2,409,097	19%
Debt Service	127,166	0	127,166	89,004	0%	(38,162)	0%
Total Costs*	<u>\$263,802,595</u>	<u>\$ (113,817,614)</u>	<u>\$ 149,984,981</u>	<u>\$ 162,416,541</u>	<u>100%</u>	<u>\$ 12,431,560</u>	<u>100%</u>
General Fund	\$ 101,910,987	\$ (21,637,828)	\$ 80,273,159	\$ 78,987,626	49%	\$ (1,285,533)	-10%
State Special	12,973,688	(3,308,418)	9,665,270	9,549,480	6%	(115,790)	-1%
Federal Funds	<u>148,917,920</u>	<u>(88,871,368)</u>	<u>60,046,552</u>	<u>73,879,435</u>	<u>45%</u>	<u>13,832,883</u>	<u>111%</u>
Total Funds*	<u>\$263,802,595</u>	<u>\$ (113,817,614)</u>	<u>\$ 149,984,981</u>	<u>\$ 162,416,541</u>	<u>100%</u>	<u>\$ 12,431,560</u>	<u>100%</u>
Percent Increase						8%	
*The 2003 biennium total funds and total costs for the transfer of children's mental health services to the Child and Adult Health Care Resources Division is estimated based on fiscal 2002 base expenditures.							

The 2005 biennium appropriation is 8 percent higher than the 2003 biennium appropriation adjusted for transfer of children's mental health services. Transfer of children's mental health services reduces the AMDD 2003 biennium expenditures and appropriation by \$114 million total funds, including \$22 million general fund.

The 2005 biennium general fund appropriation is about \$1.3 million lower than the adjusted 2003 biennium funding, due primarily to the \$16 million general fund reduction in the MHSP program that was recommended by the Governor and accepted by the legislature. These general fund increases partially offset the reduction:

- Funding switches for state special (county nursing home funds) and federal revenue (Medicaid reimbursement for institution services) noted previously
- Added staff and operating costs to support an average daily population of 175 at the state hospital
- Medicaid caseload increases

The biennial comparison table does not show an adjustment for the \$6.5 million state special revenue appropriation for MHSP services and prescription drugs that is approved in SB 485. If that amount is added to the 2005 biennium appropriation, the total increase above the 2003 biennium level rises from 8 to 13 percent.

Present law adjustments and new proposals are discussed in the programmatic function areas that follow the listing of all appropriation changes. The division is comprised of several major functions that are listed and discussed separately in the following narrative.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					4,559,635					4,693,130
Vacancy Savings					(1,013,536)					(1,018,875)
Inflation/Deflation					21,370					29,047
Fixed Costs					355,249					371,445
Total Statewide Present Law Adjustments					\$3,922,718					\$4,074,747
DP 135 - Mental Health Intergovernmental Transfer	0.00	0	436,612	1,172,368	1,608,980	0.00	0	445,612	1,163,368	1,608,980
DP 140 - Block Grant Increase	0.00	4,248	0	619,789	624,037	0.00	4,248	0	619,789	624,037
DP 141 - MH UR Contract /Retrospective Reviews	0.00	(45,984)	0	34,213	(11,771)	0.00	(33,768)	0	70,862	37,094
DP 143 - Mental Health and CD Medicaid Caseload	0.00	1,314,905	(61,387)	2,801,878	4,055,396	0.00	2,009,402	158,542	4,998,467	7,166,411
DP 144 - Mental Health Block Grant Increase	0.00	0	0	50,000	50,000	0.00	0	0	50,000	50,000
DP 145 - MCDC Base Adjustment	0.00	0	93,460	49,908	143,368	0.00	0	(70,923)	269,837	198,914
DP 147 - MMHNCC Base Adjustments and Restructuring	(21.56)	(50,210)	0	1,629,324	1,579,114	(21.56)	33,341	0	1,619,263	1,652,604
DP 335 - Reduce CIP FTE	(3.00)	0	(103,480)	0	(103,480)	(3.00)	0	(103,224)	0	(103,224)
DP 344 - Restructure/Reduce Mental Health Services Plan	0.00	(7,379,240)	(233,506)	1,979,155	(5,633,591)	0.00	(7,530,474)	(233,506)	1,918,970	(5,845,010)
DP 351 - Funding Switch- Medicaid Caseload	0.00	(163,085)	163,085	0	0	0.00	(160,853)	160,853	0	0
DP 354 - Medicaid Eligibility Changes	0.00	(15,546)	0	(41,777)	(57,323)	0.00	(15,546)	0	(40,830)	(56,376)
DP 774 - Children's Mental Health Admin - PL	(2.00)	(654,441)	0	(894,817)	(1,549,258)	(2.00)	(654,510)	0	(894,783)	(1,549,293)
DP 775 - Non-Medicaid Children's MH Services	(1.00)	(711,170)	0	0	(711,170)	(1.00)	(711,061)	0	0	(711,061)
DP 776 - Children's Mental Health Benefits - PL	0.00	(9,453,303)	(1,654,209)	(43,425,065)	(54,532,577)	0.00	(9,453,303)	(1,654,209)	(43,364,351)	(54,471,863)
DP 8146 - MSH Base Adjustments and Restructuring (Requires Legislation)	8.00	2,349,713	233,506	201,184	2,784,403	8.00	2,539,990	233,506	199,192	2,972,688
Total Other Present Law Adjustments										
	(19.56)	(\$14,804,113)	(\$1,125,919)	(\$35,823,840)	(\$51,753,872)	(19.56)	(\$13,972,534)	(\$1,063,349)	(\$33,390,216)	(\$48,426,099)
Grand Total All Present Law Adjustments					(\$47,831,154)					(\$44,351,352)

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

New Proposals										
Program	FTE	Fiscal 2004				Fiscal 2005				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 131 - Continue Data Infrastructure & Integration Grant										
33	1.00	0	0	146,415	146,415	1.00	0	0	103,585	103,585
DP 132 - Continue Community Incentive Grant										
33	0.00	0	0	800,000	800,000	0.00	0	0	0	0
DP 133 - MCDC Staffing Changes										
33	2.90	0	113,301	0	113,301	2.90	0	113,645	0	113,645
DP 154 - MSH DoC Agreements										
33	4.00	0	339,304	0	339,304	4.00	0	356,960	0	356,960
DP 287 - FTE Reduction										
33	(5.00)	(154,942)	0	(33,255)	(188,197)	(5.00)	(155,010)	0	(33,165)	(188,175)
DP 353 - Medicaid Provider Reimbursement Reduction										
33	0.00	(104,967)	0	(282,079)	(387,046)	0.00	(117,873)	0	(309,668)	(427,541)
DP 6800 - HB 13 - Pay Plan										
33	0.00	127,744	2,362	4,062	134,168	0.00	547,414	10,085	17,403	574,902
Total	2.90	(\$132,165)	\$454,967	\$635,143	\$957,945	2.90	\$274,531	\$480,690	(\$221,845)	\$533,376

New Proposals

New proposals are appropriations for new or expended services above the cost of providing the level of service authorized by the previous legislature. Changes in funding for services are usually considered new proposals as well.

Language

"Items [Pharmacy Services for the Mentally Ill, Mental Health Medicaid Rate Increase] are contingent upon passage and approval of a bill or bills that establish a state special revenue account for prevention and stabilization of department programs that receives at least \$13.7 million of estimated revenue in fiscal year 2004 and \$16.5 million of estimated revenue in fiscal year 2005 from cigarette and chew tobacco taxes, reallocation of tobacco settlement proceeds allocated by 17-6-606 (2), and other sources."

"Item [federal mental health block grant] may only be expended for mental health services. The Office of Budget and Program Planning must certify that the department has received a federal mental health block grant prior to allowing expenditures against the appropriation."

Sub-Program Details

Mental Health 01

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	516.06	(16.56)	0.00	499.50	(16.56)	0.00	499.50	499.50
Personal Services	18,144,125	4,095,373	19,884	22,259,382	4,248,514	20,389	22,413,028	44,672,410
Operating Expenses	8,539,763	(1,339,705)	156,197	7,356,255	(1,041,122)	173,316	7,671,957	15,028,212
Equipment	23,990	0	0	23,990	0	0	23,990	47,980
Grants	649,156	16,992	0	666,148	16,992	0	666,148	1,332,296
Benefits & Claims	89,219,305	(53,277,229)	(387,046)	35,555,030	(51,116,722)	(427,541)	37,675,042	73,230,072
Debt Service	27,995	0	0	27,995	0	0	27,995	55,990
Total Costs	\$116,604,334	(\$50,504,569)	(\$210,965)	\$65,888,800	(\$47,892,338)	(\$233,836)	\$68,478,160	\$134,366,960
General Fund	49,670,583	(11,370,836)	(243,926)	38,055,821	(10,399,316)	(256,934)	39,014,333	77,070,154
State/Other Special	2,564,870	(1,523,219)	339,304	1,380,955	(1,516,451)	356,960	1,405,379	2,786,334
Federal Special	64,368,881	(37,610,514)	(306,343)	26,452,024	(35,976,571)	(333,862)	28,058,448	54,510,472
Total Funds	\$116,604,334	(\$50,504,569)	(\$210,965)	\$65,888,800	(\$47,892,338)	(\$233,836)	\$68,478,160	\$134,366,960

The Mental Health Bureau administers state institutional and community mental health services for adults. MSH and MMHNCC are state institutions funded from general fund. Matching federal Medicaid funds are available for services provided by an institution for mental disease to persons under age 22 and over age 65 and Medicaid reimbursements for such services are deposited to the general fund as revenue.

Community services are funded from state and federal Medicaid funds for Medicaid eligible adults and from the MHSP program for adults with a serious and disabling mental illness, with incomes below 150 percent of the federal poverty level. The federal mental health block grant also funds community services as well as a small amount of the alcohol state special revenue tax allocated to DPHHS. SB 485 appropriates \$6.5 million in state special revenue to support the MHSP program, largely from a one-time diversion of tobacco settlement funds.

The mental health function comprises the largest share of the division budget request with 83 percent of the total funds and nearly all of the general fund (97 percent in fiscal 2005). Net general fund changes over the biennium are negative by about \$1 million after adjusting for the transfer of children's mental health services, while total funds increase \$45 million. General fund changes embody some significant policy changes including:

- Transferring appropriations for children's mental health services to a new division - Child and Adult Health Care Resources.
- Reducing general fund support for MHSP - \$16 million
- Maintaining MSH capacity at 175 rather than reducing it to 135 as proposed by the executive
- Contracting for services from 1 new 15-bed behavioral health inpatient facility
- Reducing the population at MMHNCC to 70 from 105
- Contracting for community services for 35 current residents of MMHNCC

Present Law Adjustments													
-----Fiscal 2004-----					-----Fiscal 2005-----								
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds				
Personal Services				3,967,558					4,089,143				
Vacancy Savings				(884,457)					(889,329)				
Inflation/Deflation				15,617					23,167				
Fixed Costs				303,079					319,076				
Total Statewide Present Law Adjustments				\$3,401,797	\$3,542,057								
DP 135 - Mental Health Intergovernmental Transfer	0.00	0	436,612	1,172,368	1,608,980	0.00	0	445,612	1,163,368	1,608,980			
DP 140 - Block Grant Increase	0.00	4,248	0	12,744	16,992	0.00	4,248	0	12,744	16,992			
DP 141 - MH UR Contract /Retrospective Reviews	0.00	(45,984)	0	34,213	(11,771)	0.00	(33,768)	0	70,862	37,094			
DP 143 - Mental Health and CD Medicaid Caseload	0.00	1,314,905	(468,340)	1,703,270	2,549,835	0.00	2,009,402	(468,340)	3,319,788	4,860,850			
DP 144 - Mental Health Block Grant Increase	0.00	0	0	50,000	50,000	0.00	0	0	50,000	50,000			
DP 147 - MMHNCC Base Adjustments and Restructuring	(21.56)	(50,210)	0	1,629,324	1,579,114	(21.56)	33,341	0	1,619,263	1,652,604			
DP 344 - Restructure/Reduce Mental Health Services Plan	0.00	(7,379,240)	(233,506)	1,979,155	(5,633,591)	0.00	(7,530,474)	(233,506)	1,918,970	(5,845,010)			
DP 351 - Funding Switch- Medicaid Caseload	0.00	(163,085)	163,085	0	0	0.00	(160,853)	160,853	0	0			
DP 354 - Medicaid Eligibility Changes	0.00	(15,546)	0	(41,777)	(57,323)	0.00	(15,546)	0	(40,830)	(56,376)			
DP 774 - Children's Mental Health Admin - PL	(2.00)	(654,441)	0	(894,817)	(1,549,258)	(2.00)	(654,510)	0	(894,783)	(1,549,293)			
DP 775 - Non-Medicaid Children's MH Services	(1.00)	(711,170)	0	0	(711,170)	(1.00)	(711,061)	0	0	(711,061)			
DP 776 - Children's Mental Health Benefits - PL	0.00	(9,453,303)	(1,654,209)	(43,425,065)	(54,532,577)	0.00	(9,453,303)	(1,654,209)	(43,364,351)	(54,471,863)			
DP 8146 - MSH Base Adjustments and Restructuring	8.00	2,349,713	233,506	201,184	2,784,403	8.00	2,539,990	233,506	199,192	2,972,688			
Total Other Present Law Adjustments				(16.56)	(\$14,804,113)	(\$1,522,852)	(\$37,579,401)	(\$53,906,366)	(16.56)	(\$13,972,534)	(\$1,516,084)	(\$35,945,777)	(\$51,434,395)
Grand Total All Present Law Adjustments				(\$50,504,569)							(\$47,892,338)		

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 135 - Mental Health Intergovernmental Transfer - The community mental health centers participate with the agency in an intergovernmental transfer program for Medicaid services to encourage the delivery of services in frontier or rural areas of Montana. The mental health centers provide the Medicaid match for this program. The legislature accepted the executive request to add \$882,224 state special revenue and \$2,335,736 federal Medicaid funds for the biennium for anticipated caseload and utilization changes.

DP 140 - Block Grant Increase - The legislature approved \$34,000 total funds, including \$8,496 general fund, over the biennium to maximize the amount of Homeless or PATH Grant funds. The federal grant is \$300,000 per year and requires a 25 percent general fund match. Base year expenditures were \$283,008.

DP 141 - MH UR Contract /Retrospective Reviews - The legislature approved the executive request for an annual contract increase of 5 percent, for a total biennial increase of \$235,000 in operating costs. The federal share of funding for the contract is also higher resulting in a net general fund savings of \$531,678 over the biennium and an increase of \$700,494 federal funds. The contract was funded at a higher percent of general fund during the base budget year because

it included functions related to MHSP that were funded entirely from the general fund. The contract will be funded at 25 percent general fund and 75 percent federal funds in the 2005 biennium since it will be related to Medicaid functions.

The funding for the contract increase was allocated between children and adult mental health services administration due to the planned reorganization of health care resources by DPHHS. A portion of the total contract increase (about \$26,000) over the biennium is appropriated to adult mental health services administered by the Addictive and Mental Disorders Division and a portion (about \$150,000) to the Child and Adult Health Care Resources for children's mental health services administration.

DP 143 - Mental Health and CD Medicaid Caseload - The legislature added \$34 million total funds, including \$10.6 million in state funds for caseload growth, inflation, and utilization increases in Medicaid programs administered by AMDD.

Mental health Medicaid service growth adds \$29 million total funds including \$9.3 million general fund. The funds support an 11 percent annual increase in mental health services in fiscal 2004 and fiscal 2005, consistent with growth rates since fiscal 2000.

Medicaid chemical dependency services increase 30 percent annually above the projected increase in fiscal 2003. The chemical dependency Medicaid program is expected to have a higher growth rate because Medicaid coverage for this service is new and provider capacity is in a growth stage. Funding increases are \$5 million total funds, including \$1.6 million from state special revenue alcohol taxes, over the biennium.

DP 144 - Mental Health Block Grant Increase - The legislature approved an increase of \$100,000 federal funds for the biennium from an anticipated increase in the federal Community Mental Health Block Grant for fiscal 2004 and fiscal 2005. The legislature also restricted the use of the block grant appropriation because DPHHS may not be able to meet the maintenance of effort required to continue to receive the grant. The maintenance of effort is based on the average of state expenditures for community mental health services over the previous two years. DPHHS estimates that the level of community mental health services appropriations may not be able to maintain that maintenance of effort. DPHHS wrote a letter to SAMSHSA (Substance Abuse and Mental Health Administration) to determine if the block grant would be withheld or not and, if so, how much block grant the state could expect.

The \$1.3 million block grant is used to serve adults in community mental health settings. The grant funds are intended to help the state develop an effective system of mental health care and are spent in accordance with a state plan approved by the Center for Mental Health Services.

DP 147 - MMHNCC Base Adjustments and Restructuring - The legislature accepted the executive proposal to move 35 persons from the Montana Mental Health Nursing Care Center (MMHNCC) and provide services in the community. The proposal reduces funding for 21.56 FTE, and nets to a decrease of about \$17,000 general fund and a \$3.2 million increase federal funds over the biennium. MMHNCC has experienced a slow but steady decline in utilization for more than a decade as expanded community mental health and private nursing home services provided for alternative care options. The current MMHNCC patient census is about 105. The Center is using 4 of its 6 wings for patient care. Among the current residents are about 35 individuals who are younger than 65. These people have had long histories of institutional care, primarily at MSH, and multiple placements in community services.

DPHHS proposes the creation of an intensive community support program for these 35 residents in order to serve them outside the institution in programs that will allow for federal financial participation. The plan includes the closure of a wing at the center and a reduction of the capacity to 75. The savings from the reduced cost at the center will leverage substantial federal money for community programs and provide services for this group of residents in a less restrictive, more integrated, setting.

The department has asked major community mental health providers to review the needs of these residents and to assist with planning the necessary services. At least one provider has already indicated that it believes appropriate community services can be created for these people.

The average cost per person to serve 35 persons in the community is almost half the average per person cost of downsizing MMHNCC and no longer providing institutional services: \$127 per day in the community compared to \$242 in the institution in fiscal 2004. The average of the community services proposal is significantly lower than the average cost for high-level secure care - \$188.44 per day in fiscal 2003 or intermediate level care - \$142.69 per day in fiscal 2003.

DP 344 - Restructure/Reduce Mental Health Services Plan - The legislature accepted a revised proposal by DPHHS for adults served in the Mental Health Services Plan. The executive proposal both reduces the size of and restructures MHSP for a biennial savings of \$16.2 million general fund. However, the legislature added \$9 million from the proposed Prevention and Stabilization Fund for prescription drugs for MHSP participants, a benefit that the executive had proposed to eliminate entirely.

MHSP is a non-Medicaid program that provides mental health services for adults who have serious mental illnesses and incomes below 150 percent of the federal poverty level. Expanded mental health services for seriously emotionally disturbed children in families with incomes below 150 percent of the federal poverty level were eliminated during fiscal 2002 as part of the DPHHS effort to avoid general fund cost over runs.

MHSP has been a quasi-entitlement program since 1999. Although membership has been capped, once in the program members have had access to a wide variety of services based on medical necessity and, until recent changes, there has been a wide range and high number of providers participating in the program.

In order to get maximum benefit from a reduced funding level, MHSP will be restructured as a program contracted out to a limited number of providers on a "slot" basis. That is, each contracted agency will have a certain capacity of MHSP clients for whom the department will fund services. Separate adult and youth caps will be established. However, youth services are limited to \$671,928 general fund annually. The general fund used for youth services is also counted toward the TANF maintenance of effort.

Criteria for eligibility for MHSP services will be tightened to assure only the most in need are served. Additional criteria (beyond 150 percent of poverty and serious mental illness) that will be used include previous MSH or residential treatment admissions, co-occurring substance abuse, history of dangerous behavior, and a primary diagnosis of a "severe mental illness" as defined in section 33-22-706, MCA.

The department will continue its contract with community mental health centers to administer the smaller MHSP program and will expand its contract to include community mental health centers as "gatekeepers" for admission to the state hospital. AMDD will allocate state hospital beds among the three mental health regions and structure the contracts to financially reward those centers that maintain a state hospital population below their historic level and to charge centers that do not. The appropriation subcommittee requested a bill to implement the revised executive proposal.

DP 351 - Funding Switch- Medicaid Caseload - The community mental health centers typically receive county tax funds of about \$1.3 million per year. The legislature accepted the executive proposal to request that counties voluntarily pay these funds to the State of Montana to provide the Medicaid match for mental health services, saving \$1.3 million general fund over the biennium, and replacing it with \$1.3 million state special revenue funds for the biennium. Part of the general fund offset is used in children's mental health services (\$1 million over the biennium) and part is used in adult mental health services (\$0.3 over the biennium and included in the Addictive and Mental Disorders Division budget).

DP 354 - Medicaid Eligibility Changes - The legislature accepted the spending reductions associated with Medicaid eligibility changes implemented by DPHHS in January 2003. The changes reduce Medicaid expenditures over the biennium by \$31,092 general fund, and \$82,607 federal funds in this program. See related discussion in the agency overview.

DP 774 - Children's Mental Health Admin - PL - The legislature structured appropriations to reflect reorganization of mental health services, which moves children's mental health services to a new division - Child and Adult Health Care Resources. This adjustment transfers 3.00 FTE and \$3 million total funds (\$1.3 million) general fund to the new division. This funding represents expenditures in the fiscal 2002 base budget for administration of children's mental health services.

DP 775 - Non-Medicaid Children's MH Services - The legislature transferred appropriations to maintain fiscal 2002 base budget expenditures for mental health services for non-Medicaid eligible children to a new division - Child and Adult Health Care Resources. The expenditures are 100 percent general fund and represent administration and benefit costs. Benefit expenditures are \$671,928 per year and count toward the TANF state maintenance of effort requirement.

DP 776 - Children's Mental Health Benefits - PL - The legislature moved the appropriation to continue base expenditure amounts for children's mental health Medicaid benefits from the Addictive and Mental Disorders Division to the new Child and Adult Health Care Resources Division. The transfer reduced appropriations for AMDD by \$109 million total funds, including \$19 million general fund over the biennium and increased appropriations in the new division by a like amount.

DP 8146 - MSH Base Adjustments and Restructuring - The legislature accepted the revised executive proposal to manage the state hospital population and community mental health services for adults as discussed in DP 344 - Restructure/Reduce Mental Health Services Plan. The revised proposal funds 30.93 FTE instead of reducing funding for 22.93 FTE and includes a lower general fund increase of \$4.9 million instead of \$6.1 million. The revised proposal also anticipates a higher average daily population at the state hospital - 175 instead of 135 included in the original executive request. One of the reasons that the general fund is lower is that the revised proposal scales back the proposed behavioral health facilities (BHIFS) from 45 community-based inpatient psychiatric beds to 15.

Under this plan MSH would be used for the treatment of all criminally committed individuals and those civilly committed individuals who require longer-term treatment than can be provided at a BHIF. The department believes the creation of 15 BHIF beds will enable the state hospital and community mental health providers to use the state hospital more efficiently.

New Proposals										
Sub Program	Fiscal 2004					Fiscal 2005				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 154 - MSH DoC Agreements										
01	4.00	0	339,304	0	339,304	4.00	0	356,960	0	356,960
DP 287 - FTE Reduction										
01	(4.00)	(138,959)	0	(24,264)	(163,223)	(4.00)	(139,061)	0	(24,194)	(163,255)
DP 353 - Medicaid Provider Reimbursement Reduction										
01	0.00	(104,967)	0	(282,079)	(387,046)	0.00	(117,873)	0	(309,668)	(427,541)
Total	0.00	(\$243,926)	\$339,304	(\$306,343)	(\$210,965)	0.00	(\$256,934)	\$356,960	(\$333,862)	(\$233,836)

New Proposals

DP 154 - MSH DoC Agreements - The legislature added \$696,264 of state special revenue and funding for 4.00 FTE at the Montana State Hospital for the services related to the DPHHS agreement with the Department of Corrections for maintenance and utility costs at the Xanthopolous Building.

DP 287 - FTE Reduction - The legislature accepted the executive recommendation to discontinue funding for 5.00 FTE for a reduction of \$309,952 general fund and \$66,420 in federal funds for the biennium. The reduction is allocated 3.00 FTE to MSH and 2.00 FTE to the central office, of which 4.00 FTE are in the mental health services function. The central office FTE are an adult program mental health services officer and an administrative support person.

The savings in the mental health functions are \$278,020 general fund and \$66,420 federal funds over the biennium and a 4.00 FTE reduction. The savings in the administrative function are \$31,932 general fund and \$17,962 federal funds and a 1.00 FTE reduction.

DP 353 - Medicaid Provider Reimbursement Reduction - The legislature accepted the general fund reduction (\$224,840) and matching federal funds included in the Executive Budget for Medicaid rate decreases. However, the legislature partially offset the reduction by appropriating \$198,400 special revenue in SB 485 from proposed Prevention and Stabilization Fund to maintain rates. The executive proposal reduced rates 1.87 percent. The legislative appropriation in SB 485 is sufficient to lower the reduction to 0.2 percent.

Sub-Program Details

Addiction Treatment & Prevention 02

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	56.35	(3.00)	2.90	56.25	(3.00)	2.90	56.25	56.25
Personal Services	1,999,672	331,326	113,301	2,444,299	342,997	113,645	2,456,314	4,900,613
Operating Expenses	1,387,585	99,371	0	1,486,956	153,826	0	1,541,411	3,028,367
Equipment	0	11,751	0	11,751	11,751	0	11,751	23,502
Grants	4,778,376	607,045	800,000	6,185,421	607,045	0	5,385,421	11,570,842
Benefits & Claims	894,439	1,505,561	0	2,400,000	2,305,561	0	3,200,000	5,600,000
Debt Service	13,035	0	0	13,035	0	0	13,035	26,070
Total Costs	\$9,073,107	\$2,555,054	\$913,301	\$12,541,462	\$3,421,180	\$113,645	\$12,607,932	\$25,149,394
General Fund	16	(16)	0	0	(16)	0	0	0
State/Other Special	2,436,873	762,741	113,301	3,312,915	827,535	113,645	3,378,053	6,690,968
Federal Special	6,636,218	1,792,329	800,000	9,228,547	2,593,661	0	9,229,879	18,458,426
Total Funds	\$9,073,107	\$2,555,054	\$913,301	\$12,541,462	\$3,421,180	\$113,645	\$12,607,932	\$25,149,394

Addiction treatment and prevention services include the Montana Chemical Dependency Center, community services, and funding for state approved chemical dependency programs. The most significant budget proposal in HB 2 is expansion of Medicaid funding for community, outpatient, and residential chemical dependency services. The division began implementing the expansion in fiscal 2001.

HB 180 makes a significant policy change in the allocation of the alcohol tax, providing statutory appropriations to local, state approved programs and dual diagnosis services. Prior to that change, funds remaining after HB 2 appropriations were expended were passed through to local programs and funding for dual diagnosis services was authorized as a one-time use by the 2001 legislature.

The major state-funding source for this function is the earmarked alcohol tax. A table showing alcohol tax revenues, expenditures, and fund balance is shown in the division overview. Allocation of tax proceeds and disbursements is also discussed. The anticipated revenues are not sufficient to fund all appropriations from the alcohol tax.

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				494,593					505,224
Vacancy Savings				(99,776)					(100,193)
Inflation/Deflation				2,614					2,724
Fixed Costs				5,129					5,129
Total Statewide Present Law Adjustments				\$402,560					\$412,884
DP 140 - Block Grant Increase									
0.00	0	0	607,045	607,045	0.00	0	0	607,045	607,045
DP 143 - Mental Health and CD Medicaid Caseload									
0.00	0	406,953	1,098,608	1,505,561	0.00	0	626,882	1,678,679	2,305,561
DP 145 - MCDC Base Adjustment									
0.00	0	93,460	49,908	143,368	0.00	0	(70,923)	269,837	198,914
DP 335 - Reduce CIP FTE									
(3.00)	0	(103,480)	0	(103,480)	(3.00)	0	(103,224)	0	(103,224)
Total Other Present Law Adjustments									
(3.00)	\$0	\$396,933	\$1,755,561	\$2,152,494	(3.00)	\$0	\$452,735	\$2,555,561	\$3,008,296
Grand Total All Present Law Adjustments				\$2,555,054					\$3,421,180

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 140 - Block Grant Increase - The legislature approved \$1.2 million total funds, over the biennium to maximize the amount of Homeless or PATH Grant funds. The federal grant is \$300,000 per year and requires a 25 percent general fund match. Base year expenditures were \$283,008.

DP 143 - Mental Health and CD Medicaid Caseload - The legislature added \$34 million total funds, including \$10.6 million in state funds for caseload growth, inflation, and utilization increases in Medicaid programs administered by AMDD.

Mental health Medicaid service growth adds \$29 million total funds including \$9.3 million general fund. The funds support an 11 percent annual increase in mental health services in fiscal 2004 and fiscal 2005, consistent with growth rates since fiscal 2000.

Medicaid chemical dependency services increase 30 percent annually above the projected increase in fiscal 2003. The chemical dependency Medicaid program is expected to have a higher growth rate because Medicaid coverage for this service is new and provider capacity is in a growth stage. Funding increases are \$5 million total funds, including \$1.6 million from state special revenue alcohol taxes, over the biennium.

DP 145 - MCDC Base Adjustment - The legislature approved \$342,282 federal and state special revenue for the biennium for routine MCDC base adjustments attributed to rent and food inflation, pharmacy inflation, outside medical costs, equipment, and restoration of zero-based overtime, differential and holiday pay for staff. The decision package also switches funding of alcohol tax and substance abuse block grant funds of \$714,090 over the biennium. In fiscal 2002 there was \$357,045 in excess block grant funds utilized at MCDC. It is anticipated that these funds will be utilized for community services in the 2005 biennium.

DP 335 - Reduce CIP FTE - The Community Incentive Grant has exhausted the administrative funding of 15 percent allowable under the grant. Positions were funded in the adjusted base with state special funds. This action eliminates funding for 3.00 FTE and \$206,704 state special revenue funds in the 2005 biennium associated with the administration of the grant. Positions eliminated are two trainers and one administrative support staff.

New Proposals										
Sub Program	Fiscal 2004					Fiscal 2005				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 132 - Continue Community Incentive Grant										
02	0.00	0	0	800,000	800,000	0.00	0	0	0	0
DP 133 - MCDC Staffing Changes										
02	2.90	0	113,301	0	113,301	2.90	0	113,645	0	113,645
Total	2.90	\$0	\$113,301	\$800,000	\$913,301	2.90	\$0	\$113,645	\$0	\$113,645

New Proposals

DP 132 - Continue Community Incentive Grant - The legislature approved \$800,000 in federal authority for the biennium to finalize the Substance Abuse and Mental Health Services Administration State Incentive Grant program. This grant was started in fiscal 1999 for \$8.992 million and the request represents the estimated balance to complete the grant. The purpose of the grant is to provide the funding for training assistance to communities to assist with alcohol prevention, planning, and programming. The funds that remain represent the final amount of funds to distribute to communities.

DP 133 - MCDC Staffing Changes - The legislature approved the executive request for \$226,946 state special revenue funds and 2.90 FTE for the biennium to fund aggregate positions at MCDC. The aggregate position pool is used to provide nursing coverage for the facility. The proposal is funded from alcohol tax allocated to DPHHS.

Sub-Program Details

DIVISION ADMINISTRATION 03

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	14.00	0.00	0.00	14.00	0.00	0.00	14.00	14.00
Personal Services	635,073	68,181	155,609	858,863	69,410	596,284	1,300,767	2,159,630
Operating Expenses	237,877	50,180	100,000	388,057	50,396	57,283	345,556	733,613
Debt Service	3,472	0	0	3,472	0	0	3,472	6,944
Total Costs	\$876,422	\$118,361	\$255,609	\$1,250,392	\$119,806	\$653,567	\$1,649,795	\$2,900,187
General Fund	553,854	82,806	111,761	748,421	83,732	531,465	1,169,051	1,917,472
State/Other Special	26,048	3,796	2,362	32,206	3,839	10,085	39,972	72,178
Federal Special	296,520	31,759	141,486	469,765	32,235	112,017	440,772	910,537
Total Funds	\$876,422	\$118,361	\$255,609	\$1,250,392	\$119,806	\$653,567	\$1,649,795	\$2,900,187

Division administration is responsible for operation and management of the division. The administrative function is cost allocated across division activities and is supported from a mix of general fund, alcohol state special revenue, and federal Medicaid and block grant funds. The administrative budget request is 1 percent of the total funds requested and 1 percent of the general fund. The major changes are for statewide present law adjustments and the division allocation for the 2005 biennium pay plan.

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				97,484					98,763
Vacancy Savings				(29,303)					(29,353)
Inflation/Deflation				3,139					3,156
Fixed Costs				47,041					47,240
Total Statewide Present Law Adjustments				\$118,361					\$119,806
Grand Total All Present Law Adjustments				\$118,361					\$119,806

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

New Proposals										
	-----Fiscal 2004-----					-----Fiscal 2005-----				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 131 - Continue Data Infrastructure & Integration Grant										
03	1.00	0	0	146,415	146,415	1.00	0	0	103,585	103,585
DP 287 - FTE Reduction										
03	(1.00)	(15,983)	0	(8,991)	(24,974)	(1.00)	(15,949)	0	(8,971)	(24,920)
DP 6800 - HB 13 -Pay Plan										
03	0.00	127,744	2,362	4,062	134,168	0.00	547,414	10,085	17,403	574,902
Total	0.00	\$111,761	\$2,362	\$141,486	\$255,609	0.00	\$531,465	\$10,085	\$112,017	\$653,567

New Proposals

DP 131 - Continue Data Infrastructure & Integration Grant - This legislature approved \$250,000 in federal funds including funding for 1.00 FTE for the biennium for the continuation and completion of a Mental Health Services Data Infrastructure and Integration Grant designed to improve accountability, increase access, target resources and continuously improve the quality of care of adults and children with mental illness.

DP 287 - FTE Reduction - The legislature accepted the executive recommendation to discontinue funding for 5.00 FTE for a reduction of \$309,952 general fund and \$66,420 in federal funds for the biennium. The reduction is allocated 3.00 FTE to MSH and 2.00 FTE to the central office, of which 4.00 FTE are in the mental health services function. The central office FTE are an adult program mental health services officer and an administrative support person.

The savings in the mental health functions are \$278,020 general fund and \$66,420 federal funds over the biennium and a 4.00 FTE reduction. The savings in the administrative function are \$31,932 general fund and \$17,962 federal funds and a 1.00 FTE reduction.

DP 6800 - HB 13 - Pay Plan - The legislature approved a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

The allocation for the Addictive and Mental Disorders Division to implement the pay plan is \$709,070 over the biennium, including \$134,168 general fund. The entire division allocation for pay plan funding is included in the Administration subprogram and will be apportioned to other subprograms within the division by DPHHS.